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Calamities and Co-operativization in China	261	China		Malaya	
Japanese Cotton Goods in the United States	263	Compulsion and Commandism in Co-ops	273	Tengku Abdul Rahaman and Malayan Progress	281
The Weakness of Force	264	Party Congresses	274	Hongkong	
Soviet Occupation of Japanese Islands	265	Reports from China	276	Trade for July and January-July 1956	283
India—Nine Years of Independence	266	Tibet		Statistical Reports	287
Japan		The Situation in Tibet	277	Finance & Commerce	
National Budget for Fiscal Year 1956	268	Peking's Aggression in Tibet ..	278	HK Exchange Markets	289
Economic Reports	271	Philippines		HK Share Market	289
		Philippine Economic Advance ..	278	Singapore Share Market	290
		Economic Letter from Manila	279	HK & FE Trade Reports	290

CALAMITIES AND CO-OPERATIVIZATION IN CHINA

When the National People's Congress first met, the Party leaders were doubtless a little anxious. The Chinese have their streak of obstinacy and independence, as the tradition of the Censors and the candid statesmen around the Throne have shown. And though the hand of the Party lay heavy on the first basic level elections and Party representation in the list of candidates was substantial, there were nevertheless a few blithe and independent spirits. They were well disciplined, however, and though now and then a speaker was blunt to a point, the first session of the Congress passed without any sort of clash with the Party. But if the Party leaders did feel it essential to show who was really the boss, they could not have chosen a better strategy than that adopted by Chairman Mao Tse-tung in 1955. The People's Congress in Peking was ending out in a sober if not pessimistic mood. The general attitude was to go slow, avoid anything in the way of adventurism, and try and struggle through the problems carefully and cautiously. Then it was, as the Congress members left the stage, that the long-silent Mao Tse-tung stepped on another stage and, addressing Party secretaries from various parts of the country and from the apparatus in the capital, called shame upon all the faint-hearts and impelled the country headlong into the collectivisation of agriculture and the socialisation of industry and commerce.

It is impossible to believe that the time and occasion were not chosen deliberately. And certainly the upshot was to thrust the National People's

Congress and its elected membership far into the wings and to project Mao Tse-tung into a position of unparalleled prominence and unquestioned supremacy as the national leader. The Party clearly was master and he was its prophet. The elected Congress had lost face.

There is perhaps some sense of rivalry between the Party and its dictatorship, and the semi-elected National People's Congress. More might be heard of this if the great collective splurge in the countryside should leave the peasants not better, but worse off than before. The Communists have been phenomenally unfortunate about the weather. Before the war floods and droughts and similar disasters seemed fairly well spaced out at intervals of a decade or more. In the last few years they seemed to strike almost annually, and sometimes drought and flood alternate as they have done this year, in almost all major divisions of the country. Millions of peasants have had to be diverted from their normal labours to bolster dykes, drain inundated fields, or dig wells in areas become arid from lack of rain.

Half a million were mobilised recently to save Harbin and its big industries. Half as many were forced to flee for safety far from their farms to higher lands as the floods spread over immense areas of Heilungkiang, about 1½ million acres of which were involved in the disaster—much of it very rich land whose crops are of great importance. Kirin province suffered almost as badly, and the two blows undoubtedly sheared off all the extra gain in crops for which preparations had been so zealously made

both with migrants and with machines. Typhoon Wanda—the worst for many years—and the torrential rains that accompanied it as it cut through China from the Chekiang coast to the borders of Shansi brought disaster to the north and central plains of Honan, west Shantung, and Hopei. These have always been the main sufferers from calamities of this sort. In Hopei alone 2,500,000 acres of farmland were inundated. The authorities were forced to adopt the desperate expedient of dropping tons of food and primitive life-saving equipment, such as many thousands of used motorcar tyres for lifebuoys.

The disasters are all the more discouraging because no Government in all China's history has done more to safeguard themselves and the populace from them. Hunan, once the main ricebowl of China, has been a constant victim of floods, but this time it is drought that has caused the trouble. Two months without rain parched everything in the more hilly regions beyond help from ordinary irrigation, and though the drought ended in the third week of August nothing grew on some 1½ million acres in the hilly parts—about 18% of the total arable land. In place of the lost crops, the peasants began frantically to plant autumn maize, buckwheat, potatoes, sweet potatoes, beans and other autumn crops but only on one-tenth of the affected area.

The rice crop reaped earlier is said, however, to have yielded three tons per hectare or 10% more than in 1955 after the floods. The total area planted to early rice was also expanded to 2½ million acres, double the area of 1955. Honan province, hit by typhoon Wanda, also planted autumn crops as soon as the flooded fields had been drained off. In many areas the Government had to supply seed and very large sums for relief purposes, for when they get severe floods the farmers lose everything—including their mud huts which disintegrate under the movement of the floods and the play of the wind on the water.

Apart from the discouragement caused by these all too frequent calamities, the collective system is on trial. The peasants were persuaded to enter them in vast numbers on the assurance that they would greatly increase their income. From the beginning Peking has realised the importance of playing up to this "capitalist incentive" and has insisted over and over again that everything possible should be done to give first priority, if not sole consideration, to this. The peasants, or at least 90% of them, must be given the greater part of the income of the APCs and all ambitious clubs, clinics, or other amenities must be held over so that all save the taxes should go to the co-operatives and be divided among the members. The first two or three years are therefore of exceptional importance in the life and stability of the APCs. The early organisation was accompanied by a great deal of compulsion—so much the Party quite often admit-

ted, in the philippics from Peking about commandism. But the phenomenal rush into the APCs which took place after the harvests of 1955 bewildered the incredulous Party leaders, and not least Chairman Mao Tse-tung himself. There can be little doubt that this, though herdlike in its immensity, was largely voluntary; certainly not the result of the application of the whip to every individual farming household. But some of these APCs showed they could vanish—as they did in Chekiang and certain other places—overnight even faster than they were formed.

In the sharp contrast the Chinese experience makes with the terrorism, massacres and expulsions of Stalin's struggle with the peasants in the Soviet Union, it all seems to have been far too easy—suspiciously so—in China. No doubt it was all part of this socialistic spirit of the times: the fervent but vague longing for a better and wider life that has sprung from the ancient soil, watered with Marxist ideology, as it has done from all the rest of Asia. To that extent it is more or less stable and permanent. But hope deferred maketh the heart sick. China needs a few years free from the epidemic of calamities and a series of record crops to pass for ever to the modern revolutionary system of collectivism after long centuries of individual small-scale farming.

The coming National Congress of the Party will be less representative but far more powerful than the nascent Parliament—the National People's Congress. Certainly the Party will meet with few doubts and great self-satisfaction. The achievements, whether they prove as permanent as to many they seem to be now, are certainly phenomenal. The decade is one that will fill the historical horizon for a thousand years to come—far more so than did the revolutionary First Empire of Chin Shih Huang Ti. The agenda of the Party Congress is formal and uninspiring. It does not necessarily become the criterion of the actual proceedings, to which the Party managers will attach every bit of drama they can think of for a vast people to whom for a thousand years and more the drama has been the lifeblood of popular culture.

There has been a little "misunderstanding" already, though not of much moment. Many have written to a leading organ of the highbrows, the Chiao Shih Pao, asking for explanations about the calling of the Party Congress instead of a National Party Representative Conference. The National Congress of the CCP, it is explained, is the highest leadership organ of the Party. Only the Central Committee has the power to convene it. It alone has power to elect in turn the Central Committee of the Party, which in the long intervals between the holding of a National Party Congress, exercises the latter's plenary powers. It is the Central Committee, too, which has the sole right to assemble the representatives from all the CCP regional committees and to hold a number of CCP National Re-

JAPANESE COTTON GOODS IN THE UNITED STATES

By E. KANN

During the past six months the textile crisis in America has been growing worse, and there are no symptoms discernible for an early betterment of the critical position. There has been for some time, and there still is, an inter-cine struggle between cotton textiles and synthetic fibers on the one hand, and simultaneously an international contest between the two American categories and Japanese cotton textiles.

Let it be clearly understood at the outset that Nipponese competition in the realm of cotton textiles or rayon were not the cause of the extended crisis; it merely decelerated the attempted recovery of this country's internal markets. This assertion will find its plausible confirmation when it is stated that currently Japanese cotton textiles entering the markets of the United States represent a mere bagatelle of 2% of total sales of cotton goods. There is probably more apprehension than actual damage at this time. But it justly is felt that, with the proverbial Nipponese persistence, the ratio could grow faster than can comfortably be sustained by American manufacturers.

The Nature of Competition

At all times there has been a considerable influx into the United States of foreign-made textiles, be it from England, France, Belgium, Italy or Japan. When business conditions are good in this country, such ingress will leave the markets, as well as the minds of manufacturers, unaffected. Furthermore, most foreign textiles are differing in design and texture from American makes. Therefore, they meet with but scant objections.

In order to understand the current situation, let it be recalled that textile products, when compared with the price structure of 1950, are down about 5%, in contradistinction to rubber (up 48%), metals (up 45%), or paper (up 25%). To further illustrate the depth of the crisis: the giant manufacturer of synthetic fibers, Celanese Corpora-

tion, showed a net profit of about \$11,000,000 for 1955; its net income in 1950 was \$40,000,000. Conditions for other textile mills in America were of a similar pattern, due mainly to furious price cutting. Besides, upward adjustment of wages to textile workers had to be accepted by mills; furthermore, textile machinery has during recent years mounted a whopping 33%. If it is considered that all the aforementioned competitors have to import their raw cotton, largely from the United States, paying heavy freight charges on the basic material, plus additional costs of carrying the manufactured goods back to America, one probably will sympathize with American mills in their attitude of grief over the seriousness of the situation.

Another aspect of paramount importance is the attitude of the American Government which, naturally, is deeply concerned. At all times the authorities of this country have the welfare of American industries in mind. Yet, they are always oblivious to the need of fostering and maintaining friendly relations with friendly powers. They practice fairmindedness in regard to facilitating international commerce. Due to such an attitude, nothing has been undertaken by Government so far, possibly also because a harsh change of policy might induce the exporting country to seek closer commercial relations with Communist nations.

Japanese Rivalry

In this red-hot dispute it would be unjust to place the blame on Japan, whose attempts at enlarging her foreign trade are perfectly legitimate. True, she obtains American raw cotton cheaper than the American buyer, as same is derived from government hoards. It is equally true that wages in the Land of the Rising Sun are considerably lower than those prevailing in the United States. But, these factors do not stand at the debit side of Japan's ledger.

As already stated, the influx of cotton piece goods into the United States is a mere 2% of total turnover in this particular line; this should not call for much comment under normal conditions. But current circumstances are somewhat abnormal. Furthermore, it must not be overlooked that Japan did not limit its textile exports to America to cotton piece goods. She distinctly went further, by shipping here ready-made blouses in huge quantities. In 1955 Japan sent to the United States as many as 4 million dozen cotton blouses, an article which could be sold there in retail at \$1 a blouse. Here we have an instance where two different lines are concerned, namely the cotton cloth, and the tailoring of the blouses. Fearful of an outcry against such 'dumping', the Nipponese authorities on their own free will decided to reduce the quantity by permitting through 1956 the shipment of 2½ million such blouses to America. This is a wise step. Since this decision was arrived at, Japan decided to forward altogether only 1½ million dozens in the course of 1956.

The southern states, home of the country's raw cotton, passed laws requiring retailers to post signs, making it clear that they are selling Made-in-Japan goods. At least one shop wisely circumvented this dictum by announcing: "We sell textiles made in Italy, Japan, England, etc."

According to "The Magazine of Wall Street", the American textile industry is producing at a rate of about

presentative Conferences to deliberate and decide on immediate problems concerning the policy of the party.

This CCP National Representative Conference is empowered to dismiss any individual members or alternate members of the CCP Central Committee who have failed to carry out their duty and to replace them. All the resolutions of a National Representative Conference must be ratified by the CCP Central Committee before they become effective. But if there is much less democracy in the Party constitution and apparatus than the Party so often boasts about, it has certainly practised democracy to the hilt in national conferences of every sort and form of national activity—outside the political or policy domain. It is probable that there have been more national conferences of all the varied forces which do the bidding of the Party in the past two years than have ever been held in all the centuries of Chinese history.

10 billion yards of cloth a year. In 1955 Japan shipped 100 million yards of cotton goods to this country, apart from blouses, sport shirts, dish towels and other fabricated items containing about an additional 55 million yards; 1956 total imports may reach 250 million yards of cloth.

The American Textile Industry

In about 1930 cotton accounted for nearly 90% of all textile fibers consumed in the United States. By 1955 the ratio was reduced to 64%. In this period the per capita consumption of cotton remained almost stationary, rising from 22 lbs to a little over 23 pounds, says the "Magazine of Wall Street". On the other hand, the per capita consumption of textiles increased from 25 lbs to nearly 37 lbs. Synthetics nowadays account for about 30% of all fibers consumed. While man-made fibers have gained much importance (dacron, orlon, nylon, etc.), they serve their purpose best when mixed with cotton at a ratio of 65% dacron and 35% cotton. Synthetic fibers have replaced cotton on wearing apparel, automotive tyre cords, carpets, etc.; furthermore, another portion of the cotton market has been lost to paper (cement bags, flour bags, etc.).

Unfavorable conditions in the field of textiles have much reduced the number of manufacturers in the United States. In 1947 the country counted some 6,200 textile manufacturers. By 1952 this total had been reduced by 700, and since then some more casualties occurred. In the past two years nearly 200 textile mills folded their tents, idling more than 55,000 workers.

One of the remedies sought by hard-pressed textile manufacturers was diversification. So, we witnessed, already 10 years ago, the huge rayon manufacturers, Celanese Corporation, to enter the plastic field and to also participate in the growth of the Canadian chemical field. Another large mill, Textron, Inc., is changing rapidly from textiles to Jack of all trades, as for instance plywood, metal appliances, plastics, television, electronics, aluminium products, etc.

A list of large American textile mills, both cotton and synthetic fabrics, or either one of the two groups, contains the following names:

- American Viscose (synthetic fibers)
- Beaunit Mills (tyre yarn)
- Burlington Industries (leader in textile field)
- Canon Mills (cotton cloth)
- Celanese Corporation of America (synthetic fibers, chemicals, plastics)
- Industrial Rayon (chiefly rayon tyre cord)
- M. Lowenstein & Sons (Important manufacturer, mostly cottons)
- Pepperell Manufacturing Co.
- Rayonier, Inc. (Also cellulose manufacturer)
- J. P. Stevens & Co. (diversified textile products)
- Textron, Inc. (attempting to change from textiles to other lines)
- Van Raalte Co.

THE WEAKNESS OF FORCE

Madrid, Sarajevo and Suez

By Paul de Hevesy

(former Permanent Delegate to the League of Nations)

On the 3rd July, 1870, the candidature for the vacant throne of Spain of Prince Leopold of Hohenzollern-Sigmaringen—a distant kinsman of the King of Prussia and a brother of the Prince of Roumania—was announced in Paris. This candidature resulted in the Franco-Prussian War. On the 24th June, 1914, the assassination at Sarajevo of Archduke Francis Ferdinand, heir to the thrones of Austria and Hungary, was announced in Vienna. This assassination resulted in the First World War.

Both France and Austria were then sincerely convinced that, if they did not take immediate reprisals, they would be unable to maintain their Imperial status. A storm of indignation swept through France in 1870 and through Austria-Hungary in 1914. France dreaded the very thought of becoming wedged between two States dominated by the Hohenzollerns. Austria was alarmed at a crime perpetrated by Serbia and connived at by Russia. Both France and Austria-Hungary felt that their very existence was at stake and that they had no alternative but to go to war.

It is now clear that both Paris and Vienna seriously misjudged the situation and, in spite of the acknowledged provocation, committed a fatal error in drawing the sword.

The result was that France was left with diminished territory and status and had to contend with a new and

formidable rival. As for Austria, its entry into the war in 1914 brought about the downfall and dismemberment of the Habsburg Monarchy: the very disaster that it entered the war to avoid.

In 1870 and in 1914 there was no League of Nations and war was still accepted as a legitimate method of settling disputes among nations. To-day, however, the nations are united in an organization and are pledged to settle all disputes among themselves, in the first instance, by negotiation or arbitration, and, in the last instance, by applying to the United Nations. In other words, no nation should be judged in its own case. The question therefore arises why Great Britain and France have not referred their dispute with Egypt over the Suez Canal to the United Nations. The explanation that the United Nations is ineffectual in dealing with such matters can only weaken its authority, whereas the strengthening of that authority is a cardinal interest of the Western Powers.

These arguments should not be construed as a defence of Colonel Nasser's indefensible conduct. The essential point is that complaints against Egypt should have been submitted to the judgment neither of 24 nor of 45 but of all the 75 States comprising the United Nations. Should the United Nations ultimately decide that force should be applied to Egypt, then Great Britain and France could legi-

timately participate in the approved coercion of a cynical adventurer.

Without anticipating the solution that may be adopted, it is perhaps worthwhile to submit here a few constructive suggestions that may commend themselves to all the interested nations, including Egypt.

* * * *

Tolls are a medieval institution. Freedom of navigation, which prevails on the seas, should be extended to all international canals and rivers. Irrespective of nationality, every ship should enjoy unhindered passage, free of charge, through all such waterways. Sovereignty over them should be vested in the United Nations, which should assume responsibility for their proper administration.

The compensation to be paid both to the State or states through which an International canal runs and to the present shareholders should be a final one. The money needed for this purpose should be subscribed by the interested governments in proportion to the tonnage of their ships that have passed through them during, say, the last five years. This payment could be spread over several years. The annual expenses of repair and maintenance should be shared by the interested governments in proportion to the tonnage of their ships that have used the waterways during the previous year. An initial sum of money for the expenses of the first year should be voted by the United Nations. If they so wish, the various governments might recover all these expenses, or part of them, from their shipping companies.

International canals and rivers should in the future be as free and open for navigation as the English Channel and the Straits of Gibraltar now are. No reproach of colonialism or imperialism could possibly be made against the proposed solution, which would ensure freedom of tran-

sit, technical efficiency, and financial stability. Any complaints against decisions relating to compensation or to the right of free passage could be submitted to the Permanent Court of International Justice at The Hague.

Should the members of the United Nations so decide, the conduct of this policy could be entrusted to the World Bank in Washington or to the Bank of International Settlements at Basle.

This scheme would not only provide a just and enduring solution of the problem raised by Colonel Nasser's high-handed challenge, but also enable Egypt to proceed with the construction of the Aswan Dam.

* * * *

It is of cardinal importance for the whole world that the enormous wealth latent in many primitive and backward countries should be rapidly turned to good account. The heavy capital investment indispensable for this purpose will, however, not be forthcoming unless the financial interests of the investors, whether States or individuals, are adequately protected.

The problem of affording such protection should be the exclusive concern of the United Nations. It should be internationally agreed that no foreign investment should be expropriated without the express consent of the Committee of the United Nations to be instituted for this purpose. Whenever consent is given, it should be the responsibility of this committee both to prescribe and to collect the indemnity.

It should be made increasingly difficult for any national State, whether highly developed or underdeveloped, to arrogate to itself the right to be the sole judge in cases of expropriation of foreign property. Many potentially dangerous conflicts could thus be prevented.

SOVIET OCCUPATION OF JAPANESE ISLANDS

The negotiations in London for normalization of the relations between Japan and the Soviet Union have been temporarily suspended since last March because of the failure to reach agreement on the territorial issue. Both countries have recently agreed to resume negotiations in Moscow. The territorial issue with particular reference to islands of Etorofu and Kunashiri is the most important problem to be settled. A brief statement of facts will serve to provide the background of this problem. In 1855, a treaty was signed at Shimoda between Japan and Russia, fixing the Russo-Japanese boundary line between the islands of Etorofu (Japanese) and Uruppu (Russian). By virtue of this treaty all islands north of Uruppu became Russian possessions while Etorofu and Kunashiri lying to the south remained Japanese possessions. As regards the island of Sakhalin, the same treaty stipulated the continuation of status quo and its southern part was settled by Japanese nationals. By the exchange treaty of 1875 Japan gave up her title to this island "in exchange" for a group of Kurile Islands comprising Uruppu and 17 small islands to the north, which until then were in Russian possession. No mention was made of Etorofu and Kunashiri in the treaty, which had always been Japanese territory.

Following the Russo-Japanese war of 1904-5 Japan regained southern half of Sakhalin by the peace treaty. Under the San Francisco Treaty of 1951, which the Soviet Union refused to sign, Japan renounced all rights to Kurile Islands and South Sakhalin. However, final disposition of

these islands is a matter yet to be determined. In the recent negotiations in London, the Soviet Union maintained persistently that the status of Kuriles and Southern Sakhalin had already been decided, in the sense that she had lawfully acquired these territories through various international agreements concluded during and after World War II; and that she would only agree to hand over to Japan Island of Habomai and Island of Shikotan.

In view of difficulties involved in territorial settlement, Japan on her part proposed that the Soviet Union recognize Japanese sovereignty over those islands which constitute an integral part of Japan, such as Etorofu and Kunashiri, in the peace treaty to be concluded between the two countries, and that the question relating to the other territories in question be reserved for future settlement among the interested powers, including those of the San Francisco Treaty signatories. Throughout the negotiations, however, the Soviet Union herself maintained its uncompromising attitude, declaring that a successful conclusion of negotiations would depend solely upon Japan's recognition of the Russian stand.

No country but Japan had ever been in possession of Etorofu and Kunashiri, nor had the Soviet Union ever questioned the fact that these islands were throughout history an integral part of Japan. As recently as 1940, in the course of negotiation on a non-aggression pact between Japan and the Soviet Union, Mr. Molotov, then Soviet

INDIA—NINE YEARS OF INDEPENDENCE

By A. E. Thomas

(Secretary, Indian Chamber of Commerce, Hongkong)

15th August is a great day for the Indians; it is a great day in the history of the British empire and the world, for it was on that day, nine years ago, that the hopes and aspirations of 350 million Indians found fulfilment.

The struggle for the independence of India was a prolonged one. Those who kindled the spirit of nationalism among the people and captained the movement in its infancy did not survive to see the fruits of their labour. They had to be content with the result that the movement was gaining ground, although very slow in progress. On the one side there was a people, vast majority of whom were illiterate, whose poverty and distress had humbled them to a state of complete resignation to the dictates of fate. Being illiterate they had very little political ideas. To crown all adverse factors there was the language barrier which could not be broken in a life time even if the utmost effort was put in. On the other side there was a mighty paramount power—the then greatest power on earth—fully equipped with trained men and ample material to suppress any political agitation. The paramount power secured the unqualified support of the native princes. In such a state of affairs the political movement had to face heavy odds and it took several decades to reach its cherished goal.

At last in 1947 that the Sub-Continent of India was divided into two nations, India and Pakistan. Pakistan became an accomplished fact on the 14th August 1947 and India became independent on the following day. The division of the country on the basis of religion had far-reaching

Foreign Minister, stated that a successful conclusion of the pact was conditional upon the ceding to Soviet Russia by Japan of the southern half of Sakhalin and some northern islands of Kuriles, these being a target of "irredentism" on the part of the Soviet Union. Regardless of what was meant by him in referring to "irredentism", Mr. Molotov made no mention of the islands of Etorofu and Kunashiri, which proves he also knew that these islands were indisputably Japanese.

The Islands of Etorofu and Kunashiri, from which the entire Japanese population of more than 10,000 has been expelled since the war's end, are of immense economic value to Japan because of their fisheries and other resources. Finally, the Japanese people cannot possibly bear the thought of these islands falling into the hands of a foreign power. Within the last two years public opinion polls taken in Japan have repeatedly shown the unanimous desire and determination of the nation to regain the islands of Etorofu and Kunashiri which are unmistakably Japanese legally and historically. This is the one issue on which all political parties of the country are united, including even the Communists.

It should be recalled that one of the principles of Atlantic Charter and Cairo Declaration established or endorsed by the Allied Powers including the Soviet Union is that no nation shall be deprived of its historical territory for the benefit of territorial expansion of another nation. The leaders of the Soviet Union could not fail to be aware that continued Soviet occupation of Japan's historical territory is diametrically opposed to the above principle and to the principles of anti-colonialism and respect for territorial integrity, which they have been repeatedly emphasizing.

consequences. It brought in a train of serious problems of national and international importance. The story of the mass exodus of Hindus from Pakistan to India is a tale of sorrow and suffering, misery and lamentation. They had no option but to leave for they felt a state of insecurity in the new Islamic state. Leaving behind everything they possessed, they left their native land to take refuge in India. Since India was a secular state a vast majority of Muslims in India chose to stay in India. Thus on the eve of achieving independence India faced a problem of very great magnitude. There was no escape from solving the problem of resettling 8 million refugees who overnight poured into India with no material resources in their hands. In the annals of world history there has been no mass exodus of the nature India had to face immediately in the post-independence era.

The infant country had very little resources that could be spared for such a colossal scheme. However the problem was tackled with patience and courage. The property left behind in Pakistan by the Hindu refugees is estimated to be over 5,000 million rupees. The outward traffic of refugees to Pakistan was too small to be compared with the incoming and hence the refugee property left behind in India has been only very little.

For decades India had been deficient in her food requirements. She used to import millions of tons of cereals from Burma and elsewhere. As a result of partition the rich wheat growing areas of the north became part of West Pakistan while the larger portion of the rice growing Brahmaputra delta in Bengal became East Pakistan. Food shortage became more acute than ever before. The influx of 8 million refugees aggravated the already deteriorated food situation.

Serious consideration was given to the problem. It was felt suicidal to drain the hard earned foreign exchange reserves for importing more and more food. The government decided to gradually restrict the importation of food and raise more corn within the country to fill up the deficiency. Multi-million dollar irrigation projects were planned in order to bring under the plough vast arid tracts which were never before cultivated. The Government financed the schemes; the peasant masses responded to the call of the nation with the utmost enthusiasm and hundreds of barren hills and parched valleys covering millions of acres were turned into rich farm lands. Even seasonal springs were made use of in the nation-wide food production campaign. Community projects were opened at different parts of the country. Peasants were taught the art of scientific farming. They were taught the alphabets at adult educational centres in rural areas. More hospitals were constructed and visual education was given regarding hygiene and public health. A five-year plan was launched. Major irrigation projects supplied not only water, but also power for new industries. In the course of six or seven years of achieving independence, India was no more deficient in her food requirements. She had more than what was necessary and hence an exportable surplus: To many it appeared a miracle.

Over 550 native states were liquidated and their rulers were pensioned off. In most parts of India, Zamindari (a kind of feudalism) was abolished and the ownership of land was bequeathed on the real cultivators. The agrarian re-

form in India is making a slow but steady progress towards the fair and equitable distribution of land among the masses.

On the industrial side, the Government restricted imports of manufactured consumer goods. More machinery was imported and industrial production too kept pace with the overall developments. The Government drew up a policy of not banning any political party which adhered to democratic methods and worked for the good of the country. Political education became a part of social life. The freedom of speech guaranteed by the constitution was fully exercised by all Indians. Thus on the home front India achieved commendable success.

Independent India formulated a new policy in her relations with the rest of mankind. The framers of the policy turned back the pages of the millenniums-old history of India and took inspiration from the traditional foreign policy of peace and friendship maintained by the great emperors and monarchs of India's glorious past. Free India felt that she would be failing in her duty if she adopted any other policy in her foreign relations than that of peace and cordiality. It was her conviction that in a divided world where two contending power blocs possessing almost equal power were waging an ideological war with each other for selfish ends, India had no reason to take sides unless her own interests were at stake. India was right when she decided to remain neutral, for if she aligned with any of the two power blocs, she would have courted the displeasure of the other bloc and would have lost her individuality. The resources of the country being limited, India could not allow to enhance her defence expenditure. National reconstruction was given top priority in the governmental undertakings.

India's policy of neutrality was not welcome to some of the nations richer and more powerful than her into whose

orbits she refused to fall. There have been criticisms and commendations on Indian neutrality. However by now it is universally acknowledged that India's neutrality is genuine and there has been an appreciation at different parts of the world of the attempts India makes in furthering the cause of global peace and harmony.

India was Chairman of the Neutral Nations Repatriation Commission in Korea. She holds identical responsibility in Indochina. She has been trying to bridge the differences that exist between the United States and the People's Republic of China. She has been the chief advocate for the banning of nuclear weapons. Her relations with Portugal at the moment are not very happy. The world knows the case. But India does not deviate from the policy of peaceful settlement of disputes. Most of the South-East Asian countries which have become independent after the war have formed a neutral bloc with India in their own interest and for the cause of world peace. India has no ambition to take the leadership of Asia for she knows that such undertakings and patronages are out of fashion and they entail tremendous responsibilities. Indo-Pakistan relations remain somewhat strained as a result of the Kashmir issue. But it is highly improbable that the differences will lead to a war at any time between the two nations. In course of time the Kashmir issue will have a peaceful solution.

India stands for a united world, for she believes that the progress and the happiness of her people depend on a continued period of peace. Her solution to the conflicts in the world is to accept and acknowledge peaceful co-existence. India believes neither in imperialism nor in Communism. But she assimilates goodness without any preconceived notions on its source. This is the way free India proceeds to build a nation worthy of its ancient past and to find her rightful place among the nations of the world.

JAPAN'S NATIONAL BUDGET FOR FISCAL YEAR 1956

Prefatory Remarks

Being the first budget to be taken up after the merger of the Democrats and Liberals into a single conservative party, the draft budget for fiscal 1956 had been watched with keen interest by all interested circles. In connection with the drafting of this budget there had been carried out since last summer all-round discussions regarding the existing state and the future outlook of the Japanese economy, which constitutes the background of the budget. In some political circles there was a fairly strong demand for a budget which would have a positive impact on the national economy, but the predominant opinion prevailed that a positive impact of government finance on the national economy should be avoided as far as possible. Thus, the sound view supporting the continuation of the preceding year's policy, i.e. "maintenance of a balanced budget," "limitation of the scale of revenues and expenditures of the General Account to One Trillion Yen," "non-issuance of government bonds," "stabilization of the value of currency" and "non-alteration of the foreign exchange rate," was made the basic line for the compilation of the budget.

In the course of drafting the budget, however, some rearrangements of items were made from the necessity of satisfying to some extent the demands of those party members who favored a positive policy. As a result, the scale of the budget as finally worked out somewhat exceeded the originally set limit. In order to balance the revenues and expenditures from the overall standpoint of government finance and private finance, measures were adopted for the utilization of private capital to cover the shortage of government funds.

As a result, the scale of the budget for fiscal 1956 was set as follows: General Account Y1,034.9 billion each for revenues and expenditures (see Tables I and II) and Government Funds Investment Account Y349.3 billion, which amounts represented increases of Y21.6 billion and Y20.5 billion, respectively, as compared with the adjusted budget for fiscal 1955.* The combined total of expenditures in the General Account and the investment and loans of government funds amounting to Y13,822 billion was Y50.9 billion above that for fiscal 1955.

Such an argument favoring the avoidance of any positive impact of public finance on the national economy has as its basis due cognizance of the fact that the national economy is taking a desirable course of development under a so-called "quantitative boom," unaccompanied by any noticeable rise in prices despite the expansion of exports and production stimulated by the retrenchment policy of the past two years and by the prevailing prosperity abroad. In the economic outlook for fiscal 1956 also, domestically it is anticipated that there will be a steady rise in consumption and a gradual increase in the heretofore sluggish investments as the export boom spreads to the domestic demand also. Externally also, the prospect is that, even if the past rapid rise in the boom abroad should be blunted because of measures being taken to check an excessive boom, there will be no recession and that a levelling off course at a high level will be maintained. In view of these circumstances, it is felt desirable to keep the Japanese economy neutral from the impact of public finance and to continue the bracing-up policy as far as possible.

* The ratios of expenditures under the budgets for fiscal 1955 and 1956 to the total national income in the respective years were 19.9% and 19.6%, showing a slight decrease in the latter year.

TABLE I

REGULAR REVENUE BUDGET FOR THE GENERAL ACCOUNT,
FISCAL 1956 COMPARED WITH FISCAL 1955

Item	(Amounts in billions of yen)		
	Fiscal 1956	Fiscal 1955	Increase (+) or decrease (—)
Taxes and stamps	826.7	790.8	(+) 35.9
Income from government monopolies ..	112.7	112.5	(+) 0.2
Profits on government enterprises and income from government enterprises ..	13.6	12.6	(+) 1
Income from government property	7.7	8.3	(—) 0.6
Miscellaneous income	36.1	48.3	(—) 12.2
Surplus from the previous year's budget	38.1	40.8	(—) 2.7
Total Revenues	1,034.9	1,013.3	(+) 21.6

TABLE II

REGULAR BUDGET OF ESSENTIAL EXPENDITURES FOR THE
GENERAL ACCOUNT, FISCAL 1956 COMPARED
WITH FISCAL 1955

Item	(Amounts in billions of yen)		
	Fiscal 1956	Fiscal 1955†	Increase (+) or decrease (—)
Social security expense	113.4	103.3	(+) 10.1
Cultural and educational expense	122.6	119.4	(+) 3.2
Science and technology promotion expense ..	11.4	8.3	(+) 3.1
National government bond expense	38.5	44.2	(—) 5.7
Pension expense	89.9	85.1	(+) 4.8
Distribution of local allocation and shared tax	162.8	155.5	(+) 7.3
Defense expense	140.8	132.8	(+) 8.0
Reparations and other special debt disposal expense	10.0	7.0	(+) 3.0
Public works expense	(151.8) ^o	(150.0) ^o	(+) (1.8) ^o
Housing measure expense	141.9	141.0	(+) 0.9
Subscriptions and investments	10.3	17.0	(—) 6.7
Interest compensation on ocean-going ship construction loans	0	4.0	(—) 4.0
Contingent reserve fund	3.1	3.4	(—) 0.3
	8.0	8.0	0
Total essential expenses	852.7	829.0	(+) 23.7
Miscellaneous expenses	182.2	184.3	(—) 2.2
Total Expenditures	1,034.9	1,013.3	(+) 21.6

† Revised budget.

^o Include special anti-unemployment measures and temporary employment measures expenses.

We shall now analyze the contents and problems of the budget for fiscal 1956, which has been compiled with due cognizance of the current and future state of the national economy.

Basic Policy for the Compilation of the Budget

On December 25, 1955 the Government set forth as the basic policy for the compilation of the budget the following major objectives: (1) balancing of revenues and expenditures and adjustment of the tax system, (2) reconstruction of the finances of the local governments, (3) overall coordination of public finance and private finance, and (4) promotion of exports, bolstering of the economic foundation, solution of unemployment problems, and stabilization of the people's livelihood. After various rearrangements of the items, the Government decided upon a General Account Budget of Y1,034.9 billion, a Fiscal Investment and Loan Budget of Y349.3 billion and also a Private Capital Utilization Budget of Y139.7 billion (of which Y90 billion is included in the Fiscal Investment and Loan Budget), as shown in Table III.

TABLE III

GOVERNMENT'S PLANNED SCHEDULE OF INVESTMENTS
AND LOANS OF FISCAL FUNDS, FISCAL 1956 COMPARED
WITH FISCAL 1955

(Amounts in billions of yen)

Item	Fiscal 1956	Fiscal 1955	Increase (+) or decrease (-)
1. Financing of private enterprises:			
Japan Development Bank	8.0	30.5	(-) 22.5
Electric Power Development Co. ..	37.2	33.9	(+) 3.3
Export-Import Bank of Japan	24.5	22.0	(+) 2.5
Agriculture, Forestry & Fishery Finance Corporation	21.0	20.5	(+) 0.5
People's Finance Corporation	12.5	11.0	(+) 1.5
Small Business Finance Corporation	13.5	12.0	(+) 1.5
Central Bank for Commercial & In- dustrial Cooperatives	1.0	1.0	—
Housing Loan Corporation	19.6	19.0	(+) 0.6
Housing Public Corporation	20.9	15.0	(+) 5.9
Workers' Welfare Housing	5.5	4.5	(+) 1.0
Road Corporation	8.0	2.5	(+) 5.5
Metropolitan Rapid Transit Corpora- tion	4.0	1.9	(+) 2.1
Japan Airlines	1.0	1.0	—
Agricultural development	8.9	3.0	(+) 5.9
Hokkaido Development Corporation ..	8.0	—	(+) 8.0
Petroleum Resources Co.	0.7	—	(+) 0.7
Japan Productivity Center	1.0	0.2	(+) 0.8
Tohoku Industrial Promotion Co. ..	0.2	0.1	(+) 0.1
Subscription for financial debentures	—	2.9	(-) 2.9
Sub-total	195.5	180.9	(+) 14.6
2. Investments in government-owned en- terprises:			
National Railways	29.5	24.0	(+) 5.0
Japan Telegraph & Telephone Cor- poration	8.5	7.5	(+) 1.0
Postal Service	1.8	1.0	(+) 0.8
Pioneers' funds	1.0	1.0	—
Sub-total	38.8	33.5	(+) 5.3
3. Others:			
Municipal bonds	113.0	114.4	(-) 1.4
Total	349.3	328.8	(+) 20.5

Revenues and Expenditures of the General Account Budget

On the revenues side, the total estimate was set at ¥35.9 billion above that for fiscal 1955 in expectation of some 10% natural increase in taxes due to increased national income resulting from the expansion of the national economy.

As to the adjustment of the tax system, on the one hand the corporation tax was increased by a tax levy on contributions to retirement allowance fund, while on the other hand the income tax on wages and salaries was reduced by ¥15 billion. However, a fundamental revision of the tax system was deferred until fiscal 1957.

On the expenditures side, conspicuous increases were made in Social Security Expense, Distribution of Local Allocation and Shared Tax and Defense Expense.

Social Security Expense for livelihood protection, protection of the bereaved families of servicemen, etc. and families of unrepatriated persons, social insurance and unemployment relief constitutes expense needed for the stabilization of the people's livelihood and for unemployment relief, which are part of the major objectives set forth in compiling the budget for fiscal 1956. Although the appropriations for each of these items are larger than in fiscal 1955, it is pointed out that they are still inadequate.

Distribution of Local Allocation and Shared Tax is made by the National Government at a certain fixed percentage of the total taxes collected by the National Government with the view of correcting the disparity in financial resources among the local governments. Toward the end of 1955 the financial plight of the local governments became so acute that a special session of the Diet was convened to pass a supplementary budget of ¥16 billion to alleviate their financial difficulties.

In view of such a state of the finances of the local governments, "reconstruction of the finances of the local governments" was included among the major objectives for the compilation of the budget for fiscal 1956. Not only was the rate of Distribution of Local Allocation and Shared Tax raised from 22% to 25%, but the rate of subsidy from the National Treasury was also raised.

Since the establishment of the principle of local autonomy in the postwar period, the structure of the local governments has been enlarged, with the result that there has been a steady increase in personnel expenditures and debt service. In fiscal 1956 the revenues and expenditures of the local governments will be balanced by increased subsidy from the National Treasury and by reduced outlay for investments by the local governments, apart from increased rate of Distribution of Local Allocation and Shared Tax from the National Government. However, the adoption of fundamental measures for solving the financial problems of the local governments has been deferred until the next fiscal year.

Defense Expenses are divided into Defense Board Expense and Defense Purpose Expenditures. As the policy for gradually increasing defense power has become increasingly definite since 1953, there has been a steady increase in the appropriations for Defense Board Expense on the one hand and a steady decline in the appropriations for Defense Purpose Expenditures. In fiscal 1956 the sums of ¥100.2 billion and ¥40.6 billion have been appropriated for these two items, respectively, a total of ¥140.8 billion, which is 13.6% of the total budget for fiscal 1956 as compared with 13% in the preceding year's budget.

Public Works Expense amounting to ¥141.9 billion is almost about the same size as in the preceding year's budget, even if we take into account possible special outlay for unemployment relief. Noteworthy features of this item are an increase over the preceding year of ¥8.3 billion in Road Improvement Expense and a decrease from the preceding year of ¥7.2 billion in Disaster Rehabilitation Expense.

Pension Expense has been increased by ¥4.8 billion over the preceding year in view of the increase in the number of pensioners from 1,500,000 to 1,600,000 and the partial normalization of the salary base-up effected in fiscal 1955. Education Expense also has been increased to take care of the increase in the number of school enrolment.

As a novel item on the expenditures side may be cited a so-called Science and Technology Promotion Expense amounting to ¥11.4 billion (an increase of ¥3.1 billion over the preceding year) comprising expense connected with atomic energy research and other scientific and technological research. The major portion of this increase is intended for atomic energy research in view of the importance of utilizing atomic energy for peaceful purposes. The amount appropriated for atomic energy research is ¥2 billion, besides which the sum of ¥1.6 billion has been set up as a charge on the National Treasury for research in this field.

Considering the General Account expenditures as a whole, it is significant to note that appropriations for obligatory expenses have been so greatly increased that appropriations for government investments, housing expense, etc. had to be curtailed, with the result that the deficiencies have to be covered by utilization of private capital.

Government's Planned Schedule of Investments and Loans

The Government's planned schedule of investments and loans amounting to ¥349.3 billion is highlighted by increased investments in small-business financing institutions,

public corporations and other agencies, all doing business connected with social welfare and business improvement, in contrast to a decrease in investments in key industries with loans from the Japan Development Bank and from banks issuing financial debentures. In the case of funds needed by the public corporations, reliance is placed on the issuance of public corporation bonds (an increase of ¥13.8 billion over the preceding year, of which ¥9 billion represents funds for the newly-established public corporations). In the case of investments in the newly-established Hokkaido Development Corporation and Road Corporation, which have an intermediate character between private enterprise and public enterprise, socially accumulated capital will be employed on a commercial basis in accord with the general practice all over the world. The Government is placing expectation on the utilization of private capital of about ¥10 billion for this purpose also. However, since this kind of investment, if made in a wrong way, is fraught with the danger of developing inflation through interest compensation by the Government and through the mushrooming of public corporations, there is an unfavorable comment in some circles from the viewpoint of maintaining neutrality of public finance.

A second point worthy of note in the supply of capital into private channels is the Government's plan to make a fairly large amount of investment at low interest in the Electric Power Development Co. Such investment is to be made in response to the necessity of generating hydro-electric power by the dam type for the purpose of raising the operable capacity and adjusting the peak load of the existing hydro and thermal electric power generating plants.

A third point to be noted is the increase in the Government's investment in the Export-Import Bank of Japan as a measure for the promotion of foreign trade, which is one of the key policies of the Government.

The Government's investments in the Housing Loan Corporation and the Housing Public Corporation are intended to be used in the construction of 432,000 units of dwelling houses in fiscal 1956, an increase of 12,000 units over the 420,000 units in fiscal 1955. In the General Account Budget for fiscal 1956 appropriations for housing measure expenditures have been cut down to ¥10.3 billion, a decrease of ¥6.7 billion from the ¥17 billion for fiscal 1955, owing to the shortage of the sources of revenues as stated already. It was to cover this cutback in appropriations that the Government's planned schedule of investments and loans for this purpose had to be increased by ¥6.5 billion over the preceding year.

Worthy of special note in connection with the Housing Public Corporation is the fact that the Government is planning the utilization of ¥10 billion of private capital, an increase of ¥4.8 billion over the preceding year.

As regards the digestion of bonds to be issued for obtaining private capital amounting to ¥139.7 billion, there was apprehension that the issuance of such bonds would oppress the corporate bond market from the viewpoint of providing a satisfactory yield. In order to ensure the supply of capital especially to the newly established public corporations, there was at first some thought among a segment of Government authorities of exercising control over private capital, but in view of the prospect of a continuation of the easy money situation, such thought has steadily retreated and, as things stand now, no particular difficulty is likely to be encountered in raising private capital for this purpose.

Thus, whereas the General Account Budget is balanced and neutral, the Government's planned schedule of investments and loans appears to contain a somewhat positive aspect which is likely to contribute toward the national

economy because of an increase in appropriations for social welfare and business improvement expenditures.

1956 Fiscal Budget and Future Economic Trend

Lastly, let us consider the trend of the Japanese economy under the current year's fiscal budget.

As stated at the beginning of this article, the Government laid down for the compilation of the current year's fiscal budget the basic policy of avoiding as far as possible any positive impact of public finance on the domestic economy. Accordingly, it was decided that the General Account should be budgeted within the scope of revenues derived chiefly from tax receipts. Since, however, it was found difficult to meet various expenses which have swollen up because of increase in such obligatory expenses as social security expense and in local government finance reconstruction expense, the Government was obliged not only to pin hopes on a substantial amount of natural increase in tax receipts but also to resort to the means of utilizing private capital.

TABLE IV
SCHEDULED UTILIZATION OF PRIVATE CAPITAL,
FISCAL 1956 COMPARED WITH FISCAL 1955
(Amounts in billions of yen)

Item	Fiscal 1956	Fiscal 1955	Increase (+) or decrease (-)
Japan Development Bank*	29.0	—	(+) 29.0
Electric Power Development Co.†	7.0	—	(+) 7.0
Export-Import Bank of Japan*	4.6	—	(+) 4.6
Housing Public Corporation†	10.0	5.2	(+) 4.8
Metropolitan Rapid Transit Corporation†	1.6	—	(+) 1.6
Road Corporation†	5.0	—	(+) 5.0
Financial debentures†	16.0	14.1	(+) 1.9
National Railways†	24.0	12.5	(+) 11.5
Telegraph & Telephone Corporation†	8.5	7.5	(+) 1.0
Municipal bonds†	29.0	23.0	(+) 6.0
Hokkaido Development Corporation†	4.0	—	(+) 4.0
Petroleum Resources Co.†	1.0	—	(+) 1.0
Total	139.7	62.3	(+) 77.4

* Private capital is to be raised by private subscription of bonds or debentures issued by them.

† Private capital is expected to be raised on a participating basis by city banks or wholly by city banks.

‡ Part of the private capital is to be raised by private subscription of bonds or debentures issued by this agency and a part by participation of city banks or wholly by city banks.

Moreover, because of bond issues by various public corporations, the Government's initial policy of non-issuance of bonds was, in fact, not consistently adhered to, and further because of increases in expenditures for consumption and business improvement included in the investment items, the retrenchment policy followed in the past appears to have somewhat retreated in the 1956 fiscal budget.

The Japanese economy in fiscal 1955 may be said to have enjoyed a so-called "quantitative boom" in the following respects: (1) production increased owing mainly to the satisfactory development of exports; (2) no appreciable investment demand arose because there was sufficient reserve equipment capacity accumulated during the ten postwar years; and (3) a sound consumption propensity and a cautious attitude by entrepreneurs were exercised in reflection of the tight money situation and the stabilization of currency value.

In July-December 1955 (using July-December 1953 as the base period) the index of industrial production stood at 117.1, the index of exports (foreign exchange statistics) at 179.5, the level of consumption in the urban districts 112.5 and that in the agrarian districts 107.1, while the wholesale price index stood at 95.8, showing a slight downturn.

In the field of finance, in spite of large excess disbursements of fiscal funds chiefly due to satisfactory development of exports, there was not sufficient demand for

funds; the Bank of Japan's loans to banks shrank by as much as ¥211.4 billion during fiscal 1955; as a result of an enlarged gap between deposits and loans, both long-term and short-term interest rates continued to decline. Hence the combined effects of the above factors led to an overall diffusion of an easy money situation.

Let us now look into the movements of the effective demand which will regulate the Japanese economy in fiscal 1956 in the face of the above situation.

Firstly, thanks to the export boom which has gradually spread to the domestic demand, the investment demand has emerged from past sluggishness and begun to show a gradual and steady expansion, chiefly in export industries.

Next, as for the consumption prospect, the effective demand is expected to increase after passing through a process of wage base-ups under increased profits of enterprises and increased demand for consumer goods. The family income for July-December 1955 was 5.8% over the comparable period a year ago, while the family expenses were only 2.7% up. This pronounced rate of increase in the surplus in the family budget indicates a sound movement.

The price trend which deserves close attention has been rising of late to some extent. Since, however, the global decline in food prices and Japan's increased capacity for importing goods with accumulated foreign exchange are regarded as factors offsetting a price advance, it is generally believed that, as long as a sharp demand does not arise in investments and consumption, the upward price trend will not develop into inflation, though some price rise may be inevitable.

In the field of finance, on the other hand, there is prospect of a surplus of \$200 million in the balance of international payments, besides excess disbursements of fiscal funds amounting to ¥38 billion representing surplus carry-over from the previous year's revenue budget, as shown in

Table I. It is, therefore, expected that, even at a conservative estimate, there will be excess fiscal disbursements of around ¥100 billion.

This amount is small as compared with the estimated ¥270 billion excess disbursements by the public sector over the private sector in fiscal 1955. On the other hand, judging from the fact that there is scarcely any pressure for repayment of Bank of Japan loans by city banks (loans outstanding as of February 28, 1956 amounted to ¥20.9 billion as compared with ¥262.1 billion as of February 28, 1955), it is believed that, as far as the supply of capital is concerned, the easy money situation will continue and that, even assuming the utilization of private capital, there will be no particularly big change.

All in all, the effective demand in fiscal 1956 is expected to make a sound expansion. Even considering the fact that somewhat positive features, such as the expansion of the scale of the budget and increase in expenditures of a consumptive nature have been added to the past retrenchment policy, it is considered that such positive factors will produce no major changes in the basic tone of the national economy. The Japanese economy as a whole is, therefore, expected to take a levelling off course at a higher level in fiscal 1956 than in fiscal 1955. When the impact of public finance on the national economy is considered, it would appear that problems will arise in fiscal 1957 and thereafter. It cannot be overlooked that, besides the lack of elasticity in the revenue budget, there are in each item of the expenditures a good many factors which are liable to swell expenses, such as the revision of the tax system, the reconstruction of the finances of the local governments, the trend of increase in the number of public corporations, and the like. In the light of the current trend of adoption of a tight money policy by many foreign countries, the question of what kind of policy the Japanese Government will adopt in the compilation of its budget will deserve close attention.

JAPANESE ECONOMIC REPORTS

Exports in First Half of 1956

Exports validated by the foreign exchange banks during the first half of this calendar year hit a new high for a half-yearly figure, registering US\$1,157,127,000, which was 30.2 percent higher than the corresponding period last year. The export validations for the six-month period was characterized by a conspicuous increase in export of vessels, which was seven times as much as the comparable figure for the similar period last year, bringing machinery exports as a whole to a total of US\$220,535,000, which was twice as much. Marked increases were also observed in exports of such commodities as food and beverages (47.7%), cotton products (37.2%), chemical fiber* (28.3%), paper products (33.1%), animal and vegetable products (42.7%), ceramics (26.7%), and other non-metallic mineral products (71.8%). But silk products, iron/steel, and non-ferrous metals saw decreases in their exports by 10.4%, 4.5%, and 6.5% respectively.

During the period under review, dollar exports aggregated \$512,778,000, showing a remarkable increase of 57.1 percent from the comparable period last year. The sharp rise in dollar exports was attributable to the ever-growing shipments to the United States, suddenly activated exports to Canada, increased American purchases through the International Cooperation Administration Funds for the three countries of Indochina, and ship exports to Liberia, Panama,

Greece, and Turkey on a dollar cash settlement basis. Exports to the United States totaled \$252,629,000, showing a 36 percent increase over the like period last year, major items to that country were cotton goods, canned tuna, salmon, and trout, and sundry goods. Shipments to Canada amounted to \$32,723,000, registering a sharp rise of 93 percent over the corresponding period last year, largely owing to increased exports of cotton goods, iron/steel, sundry goods, and canned salmon and trout.

Sterling exports totaled \$444,499,000, which was 26.1 percent higher than the same period last year. Exports to the United Kingdom rose by 35 percent to \$43,649,000, mainly due to notable increases in shipments of canned tangerine, salmon, and trout, and whale oil. Shipments to Hongkong aggregated \$86,279,000, which was 2.1 times as much as the comparable figure for the first six months last year. Chief export items were cotton goods, chemical fiber, and iron/steel. Exports to Singapore showed an 18.5 percent increase to \$32,813,000, which was mainly accounted for by cotton goods and chemical fiber. Exports to India rose by 65 percent to \$45,867,000, because of noticeable rises in shipments of iron/steel and industrial machines. To Mainland China, validated exports increased by 40 percent to \$23,570,000 as a result of remarkable increases in exports of chemical fertilizers, cement, bicycles, and light machinery. Shipments to Nigeria soared by 45 percent to

\$23,727,000. Worth noticing was doubled exports of chemical fiber to that country.

Open account exports amounted to \$199,850,000, showing a 4.3 percent decrease from the same period last year chiefly due to declined exports to Argentina and Brazil. Shipments to Indonesia picked up, with total exports rising 33 percent to \$37,153,000. Exports to Taiwan increased 57 percent to a total of \$35,753,000, to which shipments of chemical fertilizers largely contributed.

Quoted hereunder are the figures of exports validated in the first half of 1956 calendar year:

Area	Jan.-June	(in \$1,000)	
		More or less than Jan.-June '55 (%)	
Dollar Export (Including Canadian Dollar & Swiss Franc)	512,778	57.1	
Sterling Export (including Deutsche Mark & Swedish Krona)	444,499	26.1	
Open Account Export	199,850	—4.3	
Goods			
Food & beverages	87,586	47.7	
Textiles:	405,630	28.0	
Cotton products	189,552	37.2	
Raw silk	18,512	4.6	
Silk products	15,811	—10.4	
Chemical fiber	132,495	28.3	
Woolen products	36,341	21.7	
Others	12,919	26.2	
Lumber & wooden goods	38,683	1.9	
Paper products	14,094	33.1	
Animal & vegetable products	24,405	42.7	
Chemical products	54,255	18.1	
Oil & fats	14,348	11.0	
Non-metallic mineral products	59,653	44.1	
Ceramics	32,171	26.7	
Others	27,482	71.8	
Metal products	169,892	—4.9	
Iron/steel	135,582	—4.5	
Non-ferrous metal	34,310	—6.5	
Machinery	220,535	100.2	
Sundry goods	68,046	19.7	
Total	1,157,127	30.2	

Letters of Credit in June

Export letters of credit received from abroad in June totaled US\$166 million, showing a decrease of \$12 million from May. Decline in sales during the month was observed of textile goods (\$5 million), metal products (\$5 million), foods (\$3 million), and machinery (\$2 million) to the sterling area, and textiles (\$5 million) to the dollar area, which was, however, somewhat mitigated by the rise in sales of chemical products (\$2 million), and non-metal mineral products (\$1 million) to the sterling area, sundry goods (\$2 million) to the dollar area, and metal products (\$2 million), textile goods (\$1 million), and machinery (\$1 million) to the open account area.

Import letters of credit opened during the same month amounted to \$217 million, which was \$26 million more than May, which was mainly accounted for by the increased purchases of raw cotton (\$4 million more than May) from the dollar area, and wool (\$7 million), raw cotton (\$6 million), and metals (\$4 million) from the sterling area. But decreases were seen in purchases of chemical materials (\$3 million less than May), metals (\$2 million), and machinery (\$2 million) from the dollar area.

Bicycle Export

In order to make up the domestic demand for bicycles that seems to have declined of late, special efforts have been

made to boost export of the products. Reflecting their efforts, bicycle exports began to advance by leaps and bounds so much so that people in the industry are led to predict that the total shipments to overseas markets this year would amount to more than one million dollars in value.

Bike exports in recent years were:

Years	Number in terms of complete bikes	Value
1953	302,000 units	\$6,454,000
1954	327,000	6,899,000
1955	470,000	8,473,000

The trend of exports this year was:

Months	Shipments in value	In comparison with 1955
January, 1956	\$ 536,000	20% up
February	632,000	20% up
March	790,000	70% up
April	1,000,000	20% up

Of all the shipments during the first four months, a little more than 30 percent went to Hongkong, 20 percent or so to Indonesia, 9 percent to Singapore, and 5 percent to Formosa. Popularity enjoyed by Japanese bicycles in those overseas markets this year is said to be chiefly attributable to the fact that the prices of Japanese products have recently come down to be competitive with others.

Motion Picture Export

Categories	Number of films exported in	
	1955 fiscal year	1954 fiscal year
Feature pictures	1,055	820
Shorts	90	122
Newsreels	436	337
Total	1,581	1,279

Destinations	Number of films exported
Ryukyus	821
U.S.A. (mostly Hawaii)	476
Formosa	144
Brazil	31
Hongkong	27
Others	82
Total	1,581

Manufacturers	Supplies
Toei	236
Daiei	213
Shochiku	166
Toho	162
Shin-toho	145
Others	659
Total	1,581

The total proceeds of the sales of those films in the foreign markets amounted to \$923,000, which would be increased, it is estimated, more than 20 percent if the revenue arising from what is technically known as "percentage contracts" is added thereto. Some 28 percent increase in the export of the feature pictures from the preceding year deserves special attention. Another interesting, and hopeful to the industry, point about the exports under review is the shipments to absolutely new markets. For the first time, some pictures, though still small in number, were exported to India, Poland, Venezuela, Vietnam, Indonesia, Israel, and Syria.

Deposits and Loans

Gross deposits with banking institutions as of the end of June stood at Y4,063,504 million, showing a substantial

COMPULSION AND COMMANDISM IN CHINA'S CO-OPS

Compulsion and commandism seem a direct contradiction in terms when applied to the co-operatives in China, which are supposed to be based on purely voluntary entry. But it is common knowledge that both these traits are regularly applied in the countryside. They are also applied in the matter of investments. Instead of using persuasion, the cadres enforce compulsory allocations. In changing cultivation techniques, in the undertaking of conservancy projects, and even in the organisation of members for cultural studies, the measures adopted have also been the arbitrary assignment of duties and the compulsion of members to submit to decisions. The Peking People's Daily admitted that these methods have aroused the dissatisfaction of many and have already had adverse effects on the production of the co-operatives and other rural work.

increase of Y125,639 million from the previous month, while the net deposits, i.e. gross deposits less checks and bills en route to clearing, increased by Y62,078 million to record the end-of-month balance of Y3,409,771 million. The comparatively sharp rise in the gross deposits was attributable to the fact that settlement of accounts was mostly made in checks and commercial notes as was usual at the end of the half-year period of the calendar year. Loans extended by them amounted to Y3,406,121 million at the end of June, showing an increase of Y115,900 million during the month, which was more than five times as much as the comparable figure of Y22,207 million last year. The striking increase in bank loans is interpreted to have come mainly from active demand for funds for capital increase, tax payments, investments in equipment, and increased imports of raw materials. Reflecting such a growing demand for funds, the banks' borrowings from the Bank of Japan increased by Y34,300 million, while their holdings of short-term Treasury Bills decreased by Y16,400 million, and consequently the Bank of Japan credits were enlarged by some Y50,000 million during the month.

Rubber Goods Industry

Being encouraged by the increasing demand for rubber products at home and abroad, the industry has been raising the output since the turn of the year. Production of rubber goods in May amounted to 8,522 tons, in terms of crude rubber, and their deliveries to 8,462 tons. Throughout the long annals of the industry before and after the war, they reached, for the first time, the 8,000-ton level. The export during the same month scored the highest record with 1,391 tons. Thus the people in the industry seem to have had their two-year-old worries over dull business relieved. Under such promising circumstances, the production of rubber goods for the current calendar year will, in all likelihood, exceed the 101,000-ton level, which will become some 10 percent more when secondary goods such as insulated wire and cable and latex products are added thereto. Should the production increase be realized as predicted, the annual output would be some 22 percent more than last year. Production, deliveries, and exports during the January-May period this year were 38,100 tons, 37,900 tons, and 5,184 tons showing an improvement of 6 percent, 13 percent, and 15 percent, respectively, over the like figures of last year. The activeness in the industry is attributed to the following factors: a) Thanks to the up-rising trends in automobile and other industries at home, sales of auto tires and tubes, belts, hoses, and other industrial goods are increasing. b) Exports of auto tires and tubes, bicycle tires and tubes, rubberized cloths, and the like are making headway.

It is admitted that some of the cadres responsible are "bad elements" who ride roughshod over the masses and make a show of their authority. But most of those guilty of commandism are precisely those who have assumed the greatest responsibility for their work. In applying measures of compulsion and commandism, they have mainly been "drunk with past victory," and so have under-estimated the ideological consciousness of the masses: a pleasant enough view from the remoteness of the capital but doubtless at variance with the actual position in the countryside, where something more than persuasion is needed to get the peasant to observe the new way of life. They argue that co-operativization has been achieved all over the land almost with a sweep of the arm and there is no reason therefore to potter around wasting time with persuasion in matters of detail when the really stupendous task has been accomplished with such ease. When some members are unwilling to act in accordance with their behests, they are dubbed "backward," and are subjected to commandism and compulsion.

Though the political enthusiasm and production activity of the peasants have actually risen, the overwhelming majority still retain the "ideological consciousness of individual peasants." So, in both the higher and the lower co-operatives, the struggle between individualism and collectivism continues. Many members seek to take advantage of the co-operatives; many do not treasure the common property of the co-ops and intentionally or unconsciously damage and lose farm tools belonging to the co-ops. The basic level organisations of the Party thus simply cannot neglect or relax political and ideological work. Chairman Mao is quoted in "Upsurge of Socialism in China's Countryside" as saying that political work is the life line of all economic work. This is even more so at a time when basic changes are happening to the social economic system. The cadres say that the land has been taken over by the co-ops, the peasants are within their tight grip, and "we can do what we like with them." And so they give themselves to arbitrary ways and decide on all things. Whoever resists their decisions will be compelled to submit, by deduction of wage points or suspension of labour, which have become the major methods by which basic level cadres enforce their methods of compulsion and commandism in a disguised form.

The organ of the Government repeats that an APC is an economic organisation "formed by the peasants voluntarily." The leadership cadres of a co-operative only manage the co-op on trust from the members. This trust does not imply the vesting in the cadres of any special authority. On the contrary, they shoulder a heavy responsibility, since the proper running of a co-op in respect of production and other tasks is directly connected with the work done by these cadres. All cadres are supposed to promote democracy in the course of their work, and see to it that all the important issues are discussed and decided by the co-op committees or general meetings of members while even minor issues should be decided by prior consultation among different cadres. Members are to be encouraged boldly and constantly to criticise the work of the co-ops and make recommendations thereon. After a task has been definitely decided, extensive and penetrative propaganda and education should be carried out among the members, especially among those who are ideologically backward and who must be patiently handled.

There is also growing up, among not a few Party leadership cadres and organs, a feeling of blind optimism to-

PARTY CONGRESSES IN CHINA

Close observers of the developments in China have been scrutinising reports of the Provincial and City Congresses of the Chinese Communist Party to get clues on what is likely to come up at the all-important National Conference of the CCP this autumn. These congresses elect the delegates to represent them at the national meeting. In Shanghai the Congress, in a 13-day session, was chiefly concerned with the policy of Shanghai's industrial construction. Peking is striving desperately to exploit the markets in South-east Asia, depending largely on the patriotic inclinations of the Chinese traders in these markets and also on the somewhat romantic aura that surrounds even the shoddiest of goods turned out by the still inexperienced Chinese light industry. There has therefore been rather a change in the contemptuous and perhaps envious eye the Party panjandrum has hitherto turned on Shanghai, where the "five-anti" campaign against the industrialists and merchants and the bourgeoisie generally reached a degree of terror and hatred unequalled anywhere else. This hostility has now changed and even the Peking People's Daily published editorial exhortations on the "tremendous potentiality" of the coastal industry in enabling the State to accumulate huge funds as well as provide adequate technical conditions for inland construction, create administrative cadres and technicians rapidly, to provide abundant manufactured goods for the rural areas, and to build ships.

In a report to the Shanghai City Congress of the Party, the First Secretary (Ko Ching-shih) reported that output value this year of Shanghai's industry would be more than three times that of 1949, when, of course, it was very low indeed. The profit and tax revenues handed over to the State treasury by the various enterprises in Shanghai during the past six years were equivalent to more than one-fifth of the total investment in capital construction under the nation's first Five Year Plan. During the same period more

than 210,000 technicians, workers and cadres were sent to other places in the country. In addition, 30,000 lathes were despatched from Shanghai.

It was admitted that the Shanghai City Committee of the Party had in the past failed adequately to estimate the industrial potentiality of Shanghai and the role the city was playing in the nation's Socialist construction. Hence it became "indecisive" in its actual work, being unable to determine whether Shanghai's industry should develop, or just maintain its existing level, or even shrink. The policies he recommended for Shanghai's future industrial construction were fully to utilise the industrial potentialities and develop its production rationally. The Party Secretary admitted the Committee's shortcomings also in carrying out the wage reform without due relation to increased productivity, and for introducing the "one-man leadership" in State-operated enterprises, together with serious routinism in working style—commonly called with capitalistic bluntness idiotic Red tape. Apparently the members of the Committee also had something to say about the various departments of leadership, for 117 of them made verbal or written statements of a critical nature. But it was agreed that through the use of the advantageous conditions in Shanghai (created incidentally by and taken from the abused capitalists and "foreign exploiters") a reasonable development of industry could be achieved with the least possible investment, greater efficiency and at top speed. But the one-man Red tape system had caused "serious alienation from the masses" which had weakened the Party's leadership over the enterprises and violated collective leadership.

Delegates pointed out that the practice adopted by some of the enterprises in the city in 1954 to lower the wage scale to conform to the national wage scale was a serious mistake. They severely criticised many comrades who in the past cared little about the daily lives of the workers but were only interested in how much they produced. There had been too little democratic life in the Party and not enough criticism from the lower levels. It was necessary to help the cadres to think independently and foster a bold spirit of shouldering responsibility.

There were over 700 delegates at the City Congress, representing 150,000 Party members, and they elected 41 new members and 15 alternate members, to the City Committee, as well as 37 delegates and four alternate delegates to the National Congress of the Party. Though it was rather self-centred, this meeting of one of the most important of all Party meetings below the national level did suggest the spirit which will animate the National Congress, of which there have been even more pointed indications from Peking itself in recent months.

At the other end of the scale the first Party Congress of the Sinkiang Uighur Autonomous Region was held in Urumchi and ended on July 24 after 16 days in session. No fewer than 561 delegates of 12 nationalities attended, and this elected a new committee and the delegates to the National Congress. The First Secretary (Wang En-mao) reported that in the past six years 34,000 people in the region had joined the CCP, of whom 80% were minority nationals. Sinkiang now has 68,000 Party members (a mere fraction of the populace) and more than half (55%) of the 92,000 working personnel were of local nationalities.

gether with a relaxation of the political and ideological work. They seldom refer to conditions relating to the political and ideological work. In some instances they aggravate things by bringing up too ambitious and impractical work plans which the lower levels are arbitrarily ordered to carry out. Stress is laid on disciplinary action for cadres who do not submit to the leadership and who fail to fulfil plans, but "education" is neglected. In many rural areas a state of tension has developed as a result, and the criticised cadres likewise resorted to force to make the peasants carry out technical reforms by threatening to punish those who do not change their sowing methods. The subjective and bureaucratic leadership style and leadership methods on the part of the Party committees of the country and district levels and above constitute a very important cause for the emergence of measures of compulsion and commandism in the rural areas.

As for the APCs themselves, they are urged not to set production targets too high. Plans that are practical should be pursued and those which are not practical should be reduced. The central link in summer production lies in intensified field management of crops. Many advanced technical measures like the artificial pollination of corn, groundnut cultivation method, and cultivation of double rice crops, etc., have been adopted by many peasants; but never before have such measures been introduced on such a scale and to such an extent as now.

This, too, he said, showed a healthy regard for local development and problems, and was likewise critical about official blunders and the prevalence of "dominant-nation chauvinism" on the part of the Chinese and of excessive local nationalism on the part of some sections of the minorities. Some delegates argued that the industrial construction of the region did not correspond to the growth of agriculture and livestock breeding, and complained that some factories and mines which should and could have been built were not established. The rise of the people's purchasing power and the demand for commodities were underestimated. In other words, the farmers were more than doing their bit but they could not get the goods they wanted in return. In certain cases commodities ran out of supply completely while other goods which were not wanted piled up unsold in the warehouses.

Peking itself contributed an important lead to discussion through a special article by Hsu Fang-yi in the People's Daily which gave broad guidance on the questions of the realisation of the principle of collective leadership, about which evidently much more is to be heard—especially at the National Congress, if only because of the rather exposed position of Chairman Mao Tse-tung in these days of the unpopularity of the Cult of the Individual. But that can be dealt with separately.

The Canton Municipal Committee of the Party met for ten days and adopted a seven-year plan for the development of national economy in Canton municipality. It confirmed the policy of building Canton into a socialist industrial city with light industry as the backbone and a certain proportion of communications, transport, and commerce. The Congress seemed to be much less critical than the Shanghai meeting and was indeed very self-congratulatory, both on the development of industrial production and the Socialist transformation of private industry and commerce, handicrafts and agriculture in suburban areas. The Congress did, however, criticise the leadership of the Municipal Committee.

The draft seven-year plan for the city envisages the building of 25 industrial enterprises on the basis of local resources, technical force and the needs of society. Of these ten will be built in 1956/57. Four machine-building enterprises will comprise a steelworks, a machine plant, a clock and watch factory, and a boiler plant capable of producing boilers with a total capacity of 120,000 h.p. per annum; eight chemical works, including one synthetic rubber plant; two plants for producing building supplies; one cardboard plant, and one glass plant; six textile mills: cotton, silk and jute; one sugar mill; a veterinary medicine plant; one printing works and a thermos bottle plant.

Shortage of power is still felt and power-generating facilities must be increased to meet the needs arising from the development of industry. Additional bus routes and buses will be provided; 80 trolley cars will be provided and trolley routes with a total length of 150 miles will be built in 1960 and 1962, when five trolley routes will be opened. Fifty taxicabs will also be provided and ferry boats increased from 21 to 28.

The Canton delegates were particularly sharp in their comments on the inadequate attention of the Committee to the welfare of the workers. Among other points of criticism was the failure to improve the poor lot of the boat people, never so badly off as now. Nor were there real measures to cope with unemployment. The programme does call for a very large expansion of light industry, especially sugar

refineries, fruit canning, etc. But eyes were generally lifted on to the far away date of 1962, when 59 modern factories will have been built or expanded, the local industrial output will be 1½ times as much as now and agricultural output forced up by 280% in suburban areas, trolley cars will be running in the city, and the city will be "covered with foliage, illiteracy will be basically eliminated, and the 'four evils' basically stamped out, unemployment will be eliminated, the helpless will receive care, and the people will lead a happier life."

The new industries will include 20 sugar refineries with a total daily output of 1,600 tons of sugar, and a canning factory with an annual output up to 30,000 tons. Four citronella factories and a perfumery are also on the programme.

The backward Kweichow Province complained at the Provincial Party Congress that after the emergence of the "high tide of agricultural co-operation" in the later part of 1955, unsatisfactory conditions again appeared. The conditions and peculiarities of the minority nationalities were overlooked and much harm was done to the work. Though much attention was paid to the production of good grains and economic crops, too little work was done by the leadership for the production of animal husbandry and forestry.

The Hupeh Provincial Congress, like most of the others, complained of lack of concern for the livelihood of the workers and teachers in factories, mines and schools, and of insufficient attention to the individual interests of the masses. Model experiments in the countryside for the extension of advanced techniques had failed and as a result output of certain categories of grain had been reduced.

The Kwangtung Provincial Congress of the CCP closed on July 23. It stressed the need of more attention to industry, commerce and other work besides agriculture. The Congress elected 28 delegates and three alternate delegates to the National CCP Congress. It was claimed that the industrial output in 1955 was four times that of 1949. Industry made up nearly 33% of the gross industrial and agricultural output as against less than 20% at the time of "liberation." There was also a marked increase in grain production. It was stated that 95% of Kwangtung peasant households had joined the APCs and that all private industry and 80% of private commerce had come under joint ownership. The Congress was critical about the over-emphasis on agriculture, which had led to inadequate Party leadership in industry, commerce, handicrafts, education, and culture, though it was admitted that agriculture deserved primary attention in Kwangtung. Another point of criticism was that manufactured goods were out of proportion to the low price of farm produce. Over-emphasis on rice cultivation in agriculture was also criticised, and more attention was urged to industrial crops, particularly tropical and sub-tropical plants in Hainan Island.

At the Liaoning Provincial Congress, held in Shenyang (Mukden) from July 2 to 11, 623 delegates represented more than 400,000 Party members in the province. It was predicted that by National Day (October 1) this year State-owned industry throughout Liaoning would reach the production level set for 1957. Great development had occurred in socialist industrial construction. The movement for advanced producers had developed extensively; some of the planned targets were over-fulfilled; the workers showed high enthusiasm in making rational recommendations and there was great zeal in the study of advanced experiences and labour efficiency as raised to a marked degree.

REPORTS FROM CHINA

Flood and Typhoon: On July 31, the Central Flood-Prevention Headquarters in Peking claimed that the Yangtze, Yellow and Huai rivers were under control. However, according to the Headquarters, the flood in part of the Huai River Basin and other locations had affected the wheat harvest in these areas. On August 2, Typhoon Wanda hit the mainland and caused serious damages in Chekiang, Anhwei, Kiangsu, Shantung, Hopei and Honan. On August 6, Peking reviewed the Post-Typhoon flood situation as follows: The main course of the Huai River is above the warning mark but below the danger point. The Huai River tributaries are rising and the situation is tense. The Yellow River has a maximum flow of 7,500 cubic metres per second, well below the 1954 flow of 15,000 cubic metres. The Yangtze remains below the warning mark. The level along the Haiho River in Hopei and North Honan rose sharply. In another report, Peking announced that heavy rains (unrelated to Wanda) caused sudden rise along Sungari River. At Harbin, the river rose to 120.06 metres, about four metres higher than the ground level of Harbin behind the dykes. Fu Tse-yi, Minister of Water Conservancy, accompanied by water conservancy experts, rushed to Harbin to prevent seepages in the dykes. Two inner dykes were built. Harbin was saved and on August 19, the river dropped to 119.71 metres. In spite of all these calamities, the People's Daily in Peking claimed that every condition existed to overcome losses caused by the typhoon and the flood and to ensure fulfilment of the state plan for agricultural production.

Co-Existence Among Parties: The China Association for Promoting Democracy called a meeting in Peking to discuss the policy of long-term co-existence and mutual supervision between the Communist Party and other parties in China. One speaker pointed out that the Communist Party had to create conditions for "democratic" parties to carry out supervision. Another member said that to supervise was not to attack but to make genuine friends. Anyway, the membership of the Association is now 19 times that in 1949. School and university teachers make up 69% of the members. Membership of the China Democratic National Construction Association also increased during the year. Most members are industrialists and businessmen. The Chiu San Society also reported increased membership. Most new members are teachers and research workers. Membership of the Chinese Peasants and Workers' Democratic Party in the first half this year showed a 37.5% increase over the total number of new members in the past 4 years. All "democratic" parties in China have adopted socialism and their members are all participating in the building of a socialist society according to Communist methods and interpretation.

Power Plants: The automatic steam power plant in Urumchi is being expanded; next year, the plant will have a total power generating capacity of 25,000 kilowatts, three and a half times the present output. The plant was built in 1953. Construction of a heat and power plant is under way in Loyang, Honan. When completed next year, this plant will provide electricity for the Sanmen Gorge Reservoir project on the Yellow River, the No. 1 Tractor Plant and other factories in Loyang. In Canton, construction of the first hydroelectric power station along the Pearl River started early this month. When completed in 1958, it will produce 30,000 kilowatts of power.

Industrial Expansion: The canning factory for fruits and vegetables now under construction in Canton will be completed next year; it will produce 20,000 tons of canned goods annually. The cotton textile industry in Shanghai is planning to increase the number of spindles by 220,000 by 1960. The number of spindles in Shanghai constitutes two-fifths of the total number for the whole country. A large nitrate fertilizer factory is being built in Kirin on

the Sungari River. Its principal equipment will be supplied by the Soviet Union. The factory will use inferior quality coal produced in its vicinity, waters from the Sungari River and air as raw material. Peking is building a wool processing mill at Tsining in Inner Mongolia. When completed, it will process approximately 10,000 tons of wool and goat hair a year. In Shengyang, a meat packing plant is under construction. The plant will have special departments for processing by-products such as hides, bristles, intestines and lard. Another meat-packing plant is being constructed in Sian. It will include modern abattoir and cold storage facilities. When completed next year, it will handle 2,100 pigs, sheep and cattle daily. A cement plant with an annual output of 150,000 tons has begun construction in Urumchi. It will start operation next year.

Natural Resources: Oil reserves at Laochunmiao (Yumen) are bigger than previously estimated; 38 test wells sunk there this year have begun to yield oil. A new city is springing up in the Karamai Oilfield in Sinkiang, where an area of several thousand square kilometres containing oil-bearing structures near earth's surface was recently discovered. Coal deposits in a field north of the Wei River in Shensi have been estimated at some 5,000 million tons. This is one of the largest coal fields so far discovered in China. The coal seams are easily accessible and can supply steam coal, anthracite and coking coal. The Tungchwan Coal Mines, the largest in the Northwest, is located on this field. Rich iron ore deposits have been located in Shantung. Large-scale prospecting is being carried out in the area—the Yimeng Mountainous District—for more information. The proximity of the district to sources of supply for coking coal, heat-resistant materials and fluxes provides favourable conditions for building an iron and steel industry there.

Light Industries: Peking announced that China's output of canned goods this year will reach 45,000 tons, or 54% more than last year. Sugar output will reach 900,000 tons, a 24% increase; and edible vegetable oils 1,035,000 tons, a 15% increase. Production of tobacco, soap, beer and other alcoholic beverages will also exceed the 1955 level. Sales of fountain pens, accordions and sewing machines went up 50% during the first half year. There was greater demand for paper, bicycles, leather shoes, mimeographing machines, watches and cameras. Estimating a 12% increase in purchasing power next year, Peking ordered factories in various industrial centres to increase production of items such as bicycles, paper, sewing machines, fountain pens, leather shoes, enamel-ware and mineographing machines.

Foreign Trade: Ministry of Foreign Trade disclosed that China's imports of tractors during the first half year were treble than for the same period last year. Rubber imports increased over five times. Total imports for the period were 20.52% more than the same period last year. Imports of factory equipment, fertiliser, insecticide, drilling machine for mining and some important industrial raw material increased noticeably. Exports of manufactured goods more than doubled. Increased quantities of cotton, linen and ramie textile fabrics, knit-wear, stationery, sanitary equipment, sewing machines, electric fans, toys and thermo bottles were exported to 53 countries, including U.K., India, Indonesia and Egypt. Exports to Communist countries were up by 95% and to other countries by 191%.

Highways and Railways: The building of a highway extending from Lhasa southwards to Chetang on the southern bank of the Tsangpu River (Brahmaputra River) began early this month. This 140-kilometre highway will open to traffic this winter. Since the Sikang-Tibet and Chinghai-Tibet highways opened to traffic in 1954, a 538-kilometre highway has been built from Lhasa southwards to Yatung via Shigatse. Track-laying westwards from the Yumen station on the Lanchow-Sinkiang Railway in now

THE SITUATION IN TIBET

By R. N. Rahul

The nature and character of the political status of Tibet before May 23, 1951, when the Governments of China and Tibet signed an agreement whereby Tibetans accepted the principle of "national regional autonomy under the unified leadership of the Central People's Government of China" has been so vague that even experts in Tibetan affairs have not been able to define it clearly and correctly. Any study of the position has to be based on the text of the 1951 agreement itself as well as on first-hand "interviews" with members of the Sino-Tibetan delegations reported in the contemporary Press of both China and India.

Strictly speaking, it is not possible, nor even right, to measure Tibetans and their political institutions in Western terminology in exactly the same manner and sense as those of the Chinese, whether Imperialists, Nationalists or Communists. Even on the eve of the 1950 Chinese military action in Tibet, Tibetans were still living a medieval life.

The Chinese claim on Tibet was based on suzerainty first effectively established in 1720 by the Manchu ruler K'ang-shi through a treaty after China had helped Tibet to overcome internal troubles. Tibetans, however, gradually reduced the actual control of China over Tibetan affairs to a bare minimum by 1912 when they threw off the yoke of the overlordship of Manchu China. Of course, Tibetans

used the nominal title of China's suzerainty over Tibet as a screen whenever it suited them up to 1911. In the post-1912 period, Tibetans came to develop a type of autonomy which almost meant sovereign "independence" in actual practice. The break from China was so complete that there were no Chinese in Lhasa up to 1935 when they sneaked themselves in again as "official mourners" on the eve of the death of the thirteenth Dalai Lama. Even after 1935, the Chinese in Lhasa found it necessary to compromise their position by gradually calling themselves "resident officers in Tibet" of the Commission for Mongolian and Tibetan Affairs and not "Governors of Tibet" as in the old days. They were led to this position by British diplomacy which did the necessary manoeuvring for the Tibetans.

Most of recent Tibetan history has been a patient struggle to get rid of the Chinese overlordship over Tibet. The reports of resistance as well as the Tibetans' unwillingness to accept the fait accompli of 1951 are indicative of their extreme concern again for lost political power. How much the Central authority in Peking respects this feeling of the Tibetans in conformity with the common programme respecting the full growth of nationalities within China there is no way for outsiders to know. One gets the impression that the Tibetan leaders and the Tibetan people have no effective say even in internal matters like education and health.

In 1951, the People's Liberation Army occupied Tibet largely as a security measure rather than for purposes of imperialistic expansion. China seems to have no military designs on India, as some feared in 1950. The Chinese have advanced no claims on territory in the border fringes south of the Himalayas from Assam in the east to Ladakh in the west, nor do they seem likely to do so in a foreseeable future. Military strategists in India and abroad, however, feel that if China ever did think on these lines her bases in Tibet would be of considerable use in any major push into Nepal and India.

A most important and significant consequence of developments in the post-1951 period in Tibet has been the impact on India both in regard to her external and internal situation. The non-aggression pact relating to Sino-Indian relations over Tibet based on the mutual respect for each other's territorial integrity and sovereignty, non-aggression, non-interference in each other's internal affairs and peaceful co-existence should guarantee friendly relations. There is, however, no way to know how the pact will work out in actual practice in future. But Mr. Nehru in 1954 expressed the belief that the pact would establish Sino-Indian relations as a whole on a firmer basis, minimize the area of conflict and help in "the maintenance of peace in Asia."

Chinese activities in Tibet leave no doubt as regards their intentions. Their aim is integration of Tibet into the big fold of China for achieving "unification" of the mainland. Chinese strength in Tibet lies in the 1951 agreement making full, legal provision for the first time for "the centralized handling of all external affairs of the area of Tibet" by the Central Government of China. The 1951 Agreement has given China a stronghold in Tibet which she did not enjoy for a long time, and to Tibet its implementation means loss of her international status. It is doubtful whether the lamas' dominance over the political thinking of Tibetans, the Government and the affairs of Tibet can last very long.

Chinese administrative and reform measures in Tibet since May 23, 1951, have aimed at integrating Tibet into the

under way. The Yumen station is 792 kilometres from Lanchow. Track-laying this year will reach a point 1,060 kilometres from Lanchow, or 80 kilometres from the Sinkiang border. An aerial survey of the route for a railway between Sian and Wuwei (Kansu) is now conducted by Chinese Soviet surveyors. This is one of the six important railway trunk lines covering a total length of approximately 5,000 kilometres which China is planning to survey from the air. The other five lines are the railway to link up the projected Lanchow-Chinghai Railway with Lhasa in Tibet; the railway starting from Sining to Mangyai in Chinghai via Tsaidam Basin; the railway starting from Sian to Hankow via Laohokou; the railway starting from Chengtu to Kunming via Sichang; and the railway starting from Weining in Yunnan to Kweiyang in Kweichow. Aerial survey of these six new routes is expected to be completed by end of next year. 93 Soviet experts are helping this work. Meanwhile, the section of the Yunnan-Vietnam Railway from Pesechai in Yunnan to Hokou on the Vietnamese border is being restored. When completed, it will link up with the Vietnamese railway from Hanoi to Laokay.

Autonomous Chou: The first autonomous chou has been set up in Kweichow. It is located in the southeastern part of the province and is populated by the Miao and Tung nationalities. 254 delegates of various nationalities elected a Miao chairman. The area has undergone extensive economic development in the past six years. Compared with 1950, total output of grain increased by 39% last year.

Loans for Kwangtung Fishermen: State loans to fishermen in Kwangtung totalling 24 million yuan have been issued so far this year. The funds were used to purchase new boats, nets and other equipment.

Legal Advisory Work: 295 legal advisory offices have been set up in various parts of China. Lawyers in these offices answer legal inquiries, draft legal documents and act as defence counsels or representatives in legal cases. Fees are waived for those who cannot afford to pay. In June, five legal advisory offices in Shanghai answered legal inquiries from over 3,000 people and acted as defence counsels or representatives in 329 cases. Seven preparatory committees for lawyers' associations have been set up in various parts of China to guide the work of the legal advisory offices.

PEKING'S AGGRESSION IN TIBET

Tibetans have been resisting and opposing the occupation by Communist China of their country. Many acts of Peking's aggression since the subjugation of Tibet in 1951 have been reported. In many parts of Tibet the native population has risen up against the forces sent by Peking. The struggle for freedom continues.

What the Manchu empire could not fully, only nominally, achieve—the annexation of Tibet—the rulers of Communist China have tried. They took advantage of Russian support and America's preoccupation with other areas in the Far East. The Kuomintang had also ambitions to annex Tibet but due to the many difficulties the KMT faced during its rule over China an expedition against Lhasa was never attempted. The case of Tibet is one for discussion by the United Nations but as long as Peking has

main fabric of China as well as to make the local government of Tibet subordinate to the central authority in Peking. For the air, road and telegraph communications which now link Tibet with China are cast into the fabric of the system on the mainland. The strong Chinese troops, which now occupy all strategic positions in Tibet, incorporate the old Tibetan army into the broader base of the defence forces of China.

not been admitted to membership such a discussion might be fruitless.

What has been enacted by the neo-colonialists of Peking in Tibet is a flagrant violation of the much vaunted principles of "non-interference, territorial integrity, coexistence" and what have you. Russia does not like the continued occupation of Tibet by Communist China but for the time being it suits the Kremlin's policy. On one hand Peking is pleased as it can show to the Chinese people how successful is its foreign policy, on the other it realises the injustice of the annexation of Tibet and the apprehensions aroused among neighbouring Asian nations. Indian public opinion is most critical of Peking's aggression in Tibet but New Delhi does not want to have any arguments with Peking but reserves its position once the Tibetan issue is being internationally discussed. Burma has looked with apprehension at Peking's neo-colonialism and so did the peoples in other countries of Southeast Asia. Even in North Korea and North Vietnam there is an uneasy feeling about the intentions of Peking. From a long range viewpoint, the aggression by Communist China in Tibet will prove to be a politically most imprudent step. It has compromised already the five principles of territorial integrity etc. as nothing but deceitful propaganda by Peking.

PHILIPPINE ECONOMIC ADVANCE: 1946-1956

Reconstruction and rehabilitation were given preferential attention during the first ten postwar years but they were carried out along prewar pattern. To support an independent Philippines, efforts should have been directed toward the achievement of a more balanced economy, but this was not possible because of (a) the rigid 100% currency reserve system and the inflexible banking system. A new monetary and banking system, now embodied in the Charter of the Central Bank, was not adopted until June, 1948. This new system was put into effect January, 1949; (b) free trade with the U.S., encouraged production for export, and discouraged production for home consumption. The revision of the Trade Agreement with the U.S. was not effected until late in 1955 and became effective January, 1956; (c) trade controls to divert the use of the country's foreign exchange resources from non-essential and capital goods imports were not put into effect until 1949.

A critical budgetary situation, a decline in the world prices of Philippine exports, the tapering off of American war damage payments, and flight of capital brought about a financial crisis late in 1949. The adoption of needed fiscal and monetary measures during 1949-51 placed the country in a position of relative economic stability, notwithstanding a resurgence of inflation in 1951 due to the Korean War. By 1952 inflation had been successfully halted, which was most fortunate as it created the necessary environment for continued economic progress.

But, like most underdeveloped countries, the Philippines continues to be faced with two major problems, viz.—(a) The difficult problem of earning sufficient foreign exchange with which to keep the country adequately supplied with essential consumer goods to prevent inflationary rise in prices; also to provide for import of machinery and equipment and supplies for new industries; increasing population means rising demand for import consumer goods; as the number of industrial plants increase, money incomes will also increase, giving rise to more demand for imported

goods. These pressures on the country's balance of international payments constitute a real problem for monetary authorities who are charged with the duty of maintaining economic stability.

(b) The other major problem facing the country is in connection with the implementation of a program of developing the national economy along a different pattern. It is necessary to accelerate the pace of economic development because production must not lag far behind population increase. Also, one cannot ignore the effect of the gradual loss of trade preferences in the U.S. market. To accelerate economic development, an integrated program is needed, which must be conscientiously followed. Priorities should be given to projects that will be dollar saving and dollar earning in the immediate future. Development is possible only under an environment of economic stability. Hence, no devaluation of the currency, multiple exchange rates, barter trade transactions, and dollar retention by exporters. Countries which have adopted these measures have had very sad experiences with them.

Notwithstanding the growing pains which attended the early years of this young nation, certain economic indicators show steady economic growth highlighted by monetary stability.

1. Gross National Product has steadily risen: 1946—P4,798,000,000; 1955—8,856,000,000.
2. National Income: 1946—P4,360,000,000; 1955—7,804,000,000—79% increase.
3. Per capita income increased 51% between 1946 and 1955. Philippines enjoyed one of the highest living standards in South East Asia. Estimated per capital income in 1955 was P354, in 1946 it was only P234.
4. Physical volume of production, combined index indicates tremendous growth of from 31 (1952=100) in 1946 to 128 in 1955. Prewar levels of production in agriculture, mining and manufacturing have been surpassed, with mineral output registering the biggest increase per-

centagewise. Index for agriculture jumped from 33 in 1946 to 123 in 1955; mining from 2 to 107; manufacturing from 27 to 143.

5. Government Revenues: 1946—P187.1 million, 1947—721.3 m. Revenue from taxation: 1946—112.8 million, 1955—623.8 m.

6. Money Supply: 1946—P940.8 million, 1955—1,336.2 m.

7. International Reserve: 1946—\$443.0 million, June, 1956—237.8 m. The reduction in the international reserve has been due to the increasing demand for foreign exchange for the establishment of new industries, and the rising demand for consumer goods due to growth of income and increase in population. It is significant that up to this year and with the exception of one foreign loan obtained by the Government for the construction of the Ambuklao hydroelectric power project, the dollar requirements of economic development have been very largely met with the nation's dollar reserves.

8. Expansion of Credit Institutions due to flexible currency system and establishment of Central Bank. As of December, 1955, there were 17 commercial banks (13 domestic and 4 branches of foreign banks), and 3 savings banks, with total of 150 branches and agencies. There are as of June, 1956, 51 rural banks in operation. Total assets of commercial and savings banks: 1946—P823.8 million, 1955—1,557.1 m. Aggregate Net Worth: 1946—P56.4 million, 1955—161.3 m. Total outstanding loans, discounts and overdrafts of commercial banks (including 3 savings banks): 1950—P372.2 million. As of end of 1955—738.5 m. Total outstanding loans of savings banks, RFC, Rural Banks, Govt. Insurance System: 1946—P2.2 million, 1955—580.7 m. Total outstanding loans of Rural Banks: 1946—(None in operation) 1953—P 2.0 million, Dec., 1955—6.5 m. Gross domestic investment: 1946—P384 million, 1955—800 m.

9. Cost of living index. Through judicious operation of foreign exchange resources and effective fiscal and mone-

tary measures, cost of living index has gone down—1946—521.6 (1941=100), 1955—320.0 (decrease of 38.7%).

10. Wholesale Price and Retail Price indices of selected commodities in Manila likewise moved down by 45% and 51%, respectively, since 1946.

11. Average Wage Rates of skilled and unskilled laborers, in 1955 were P7.44 and P5.18, respectively. These rates were higher than prewar even in real terms.

Economic progress during the first decade of independence may not have been spectacular, but it is noteworthy nevertheless, considering the magnitude of the problems which the country has had to face. Of great significance is the fact that notwithstanding the severe strain on the country's financial resources, it was about to free itself from the scourge of inflation. As has been stated by a prominent London banker, the record of the Philippines in this respect is unique in this part of the world. Many countries, large and small, are still grappling with this economic malady.

The National Economic Council is drawing up a new development program. Certain phases of the new program are actually being pushed through. Among these there is the ACCFA project which is already proving to be a very effective means of raising the productive and earning capacity of the small farmers. Other projects aimed to improve the economic and social conditions in the rural sector are also in process of implementation. Of the P280 million approved by the Council of State for economic development in fiscal year 1956-1957, the sum of P63 million has been allocated for irrigation, barrio and feeder roads, artesian wells, and barrio school buildings. The sum of P73 million has also been allocated for the establishment of basic industries, such as hydroelectric power plants and smelting and fertilizer plants. Top priority is given to the extensive development of private enterprise of extractive industries, such as iron, copper, and nickel.

ECONOMIC LETTER FROM MANILA

The Cabinet decided to turn over operation of its three ocean-going "Dona" ships to the National Development Company, the government agency which holds title to them. Philippine National Line will be the name used by NDC in operation of the vessels between Far East ports and the East and West Coasts of the United States. NDC has named A.V. Rocha of Manila as agent for Philippine ports; Stockard Steamship Corp. agents for U.S. Atlantic and Gulf Ports; Balfour, Guthrie and Co., Ltd., agents for U.S. Pacific Coast ports; and C. F. Sharp and Co. agents for all other ports. Lester N. Stockard, president of Stockard Steamship Corp., which also acts as general agents for Ivaran Line serving the Far East, indicated that the Philippine National Line and Ivaran will shortly enter into a joint service, with sailings every two weeks by vessels of the combined fleet. The three vessels—Dona Alicia, Dona Nati and Dona Aurora—have a speed of 17 knots and a deadweight of 9,375 tons each. They were built in 1950. For several years past the ships have been operated by the De La Rama Steamship Co.

The setting up of an international reserve of convertible sterling is being urged upon the Central Bank, as it has been for years by various business interests. The latest plea in this direction came from the Producers and Exporters Association of the Philippines. A reserve of sterling would allow the Philippines to expand its trade greatly

with Europe and the British Commonwealth. However Gov. Miguel Cuaderno of the Central Bank had restated his reasons for opposing a sterling reserve. His principal point was that even countries in the sterling bloc, who might be glad to buy Philippine products for sterling, might nevertheless refuse to take the sterling back in payment for their own exports. These countries want to sell their products for dollars, because they are in need of many things which they have to buy from the dollar area.

A brand new patrol gunboat valued at P932,000 was turned over to the Philippines by the U.S. Navy under the U.S. military assistance program.

Continuing expansion plans for the U.S. naval, air and communications station at Sangley Point in the Philippines were revealed. Development of the base would go forward for from five to ten years at a cost of around \$50,000,000. In spite of the newly-commissioned air station at nearby Cubi Point, Sangley remains the nerve center of all U.S. Navy functions in the Philippines. The expansion of the station will call for the contracting of additional Filipino labor and will use approximately 40% Philippine materials. Additional land will not be requisitioned but will be reclaimed by dredging and filling in the bay.

Pres. Magsaysay ordered the reservation of 235 acres of land belonging to the University of the Philippines as a site of the new United States-sponsored Asian Nuclear

Center. The center will contain a \$1,000,000 nuclear reactor, the first to be set up in Asia under Pres. Eisenhower's Atoms-for-Peace program.

Philippine Government representatives have concluded negotiations with the California Growers Association to send 5,000 Filipinos to California to work on the farms and in the orchards there. The number of Filipinos coming to the U.S. under the agreement may eventually reach 15,000 to 20,000. The term of employment will probably be three years.

Caltex (Philippines) refinery at Batangas will begin turning out the first high-octane gasoline produced in the Philippines and the most complete gasoline to be sold in the local market.

The first phase of a transportation survey of the Philippines, being conducted by the Stanford Research Institute of California under sponsorship of the National Economic Council and the I.C.A., has been completed. This first phase consisted of the identification and evaluation of Philippine economic resources, an assessment of port facilities, and a determination of available bus, rail, ship and other cargo and passenger carriers. The next phase will cover a study of inter-city passenger traffic in its relation to other economic factors. The team hopes that the completed survey will provide an estimate on future population distribution and passenger movements up to 1965.

The International Sugar Institute has granted the Philippines authority to barter 45,000 tons of sugar in the world market this year. 25,000 tons is the regular quota of the Philippines in this category of trade and 20,000 tons is a "hardship" quota granted to member countries which have difficulty in securing needed commodities except through exchange for their sugar surpluses. The Council also announced a general 10% increase in the 1956 export quotas for all member countries, based upon a revised upward estimate of world demand for sugar this year.

Philippine abaca planters are making progress in selling their product on a cooperative basis direct to world markets. Davao Abaca Producers Marketing, Inc., announced that over a two month period it had sold direct to world buyers over P100,000 worth of machine-cleaned fiber. The organization is made up of 400 individual planters operating as a single marketing unit through the government's supervisory agency, the Abaca Corporation of the Philippines. Direct shipment to world buyers is made possible because the Abaca Corporation holds exclusive contracts with large purchasers of Manila hemp like Pritchard and Co. of New York and Landauer and Co. of London. The practice in the past has been for individual planters to sell their fiber to local dealers and exporters, often at dictated prices.

The Philippines may become self-sufficient in fish within five years, even though last year the islands had to import more than 65,000,000 pounds of seafood. This is the consensus of data compiled here by the American Cyanamid Co., which is interested in new antibiotic methods of preventing spoilage of fish catches. The report noted that present efforts of the Philippine government to step up fish production may boost the annual catch from 344,000 metric tons last year to 450,000 tons by 1960. Government projects now in progress include expansion of the inland network of fish ponds, extension of high seas fishing to distant waters, and the training of fisheries personnel in the use of the latest techniques. Use of antibiotics, American Cyanamid estimates, could add another 25% to the annual Philippine catch.

The export market for Philippine molasses has shown a sudden recent spurt and prices have become very attractive to shippers. As a result, local manufacturers who use molasses in the manufacture of alcohol and alcohol products fear that there may be a shortage on the home market. Practically all the molasses exported by the Philippines has been going to Japan. Last year shipments to that country totalled around 150,000 metric tons valued at about P3,834,000. Japanese demand for Philippine molasses reached a peak in 1952 with sales valued at more than P7,000,000. Later the demand and prices fell off, but just recently have revived again.

The government's National Development Company is proposing the grant of tax exemption to cotton textile mills which will install spinning units prior to the establishment of the weaving and finishing plants. Such tax exempt mills would also be expected to develop and cultivate local cotton plantations, either jointly with established cotton planters or on their own.

Bureau of Commerce figures on Philippine imports for the first quarter of 1956 show that machinery and transport items topped the list, total purchases in this category being valued at P55,000,000, or 25% of the total importation for the three months. Food imports were valued at P36,000,000, or 16%; mineral fuel and lubricants at P25,000,000, or 11%; textile yarn, fabrics and made up articles at P22,000,000, or 10%. This pattern of imports has been drastically influenced by the recently tightened Philippine system of exchange and trade controls. In 1952, when import controls were in their fourth year and exchange control in its third, textile items formed the number one import with a value of P157,000,000 for the year. Food was second at P154,000,000 and machinery and transport equipment was third with a valuation for the entire year of only P129,000,000. The change in the import pattern has also been influenced, however, by the rise of new textile and other plants in the Philippines.

Fil-Hispano Ceramics, Inc., has launched an expansion program aimed at doubling its present production and labor force. An addition of P1,000,000 to the capitalization of the company is planned.

Atlas Consolidated Mining and Development Corp. production at its Toledo mine in July amounted to 167,898 tons of ore milled for a recovery of 5,278 tons of concentrates containing 2,239,223 pounds of copper and 633.3 ounces of gold. These figures are the highest on record since the company began operations in April, 1955. The ore milled averaged .77% copper and .01 ounce of gold per ton, while the concentrates produced 21.21% copper and .12 ounce of gold per ton. Shipments of concentrates to Japan during the month contained copper valued at \$845,757 and gold worth \$23,443. In addition, 16,200 tons of iron ore assaying 64% iron and valued at \$157,014 were shipped to Japan during the month from the company's new mine at Mati, Davao. Atlas expects to ship 30,000 tons of iron ore in August.

The newly-organized Ace Development and Trading Corp. negotiate for the establishment of an assembly plant for diesel engines and cars in Manila. Nissan Minsei, a firm which is at present an important manufacturer of bantam-size gasoline-powered cars in Japan, may form a joint venture.

Truck parts and accessories imported for the transportation of passengers for hire—and for use in industries, mining and agriculture—are exempt from the Special Import tax. Also exempt are industrial locomotives and spare parts imported for the use of sugar centrals. Parts for private and personal cars, however, must pay the tax.

TENGKU ABDUL RAHAMAN AND MALAYAN PROGRESS

To the ancients like Ptolemy, the Malay Peninsula was known as the Golden Chersonese—a highly civilised and cultured country. In neighbouring Java the chronicles have called this land Lankasuka, whose king has been described in Chinese annals as issuing from "... his palace gates seated on an elephant, sheltered by a white canopy. ... preceded by drums and banners and ... surrounded by soldiers of very fierce aspect". To the modern, like the British, the land is known as the Federation of Malaya. For nearly two thousand years this sprawling jungle-covered territory has seen the rise and fall of Rajahs and Sultans. Today the land is still ruled by Rajahs (1) and Sultans (8) but all of them owe suzerainty to the white men who came across the waters first as friendly traders who obtained trading posts and settlements and finally bludgeoned the rulers into submissive puppets. But the dust of Malayan history disturbed by a mere century and a half of white occupation has had hardly time to settle down. From the hideouts in the deep impenetrable jungle down to the polished floors of Malaya's dancing floors, the air is now vibrant with political consciousness. The man behind this gusty wind of politics is 53 year old Tengku (it means Prince) Abdul Rahaman, the onetime happy-go-lucky student who cheerfully flunked his exams at Cambridge so that he could watch dog races.

The Tengku comes from one of the oldest Malayan dynasties which has remained unbroken through nine Hindu rulers and 20 Moslim Sultans. The ancient Lankasuka is present-day Kedah, the home of the Tengku and the state of his late father, the Sultan Abdul Hamid Halim Shah, who ceded Kedah to the British six years before the Tengku was born. His mother was a Siamese, Che Menjelara, the daughter of Luang Nara, a chieftain of one of Siam's Shan states. The Tengku's education was begun in Malaya then switched to a Siamese school in Bangkok and back again to Malaya where after three years he was awarded a state scholarship for higher education in England.

With characteristic honesty he describes this period as one in which "two of my tutors struggled bravely to fit me for admission to the University". At St. Catharine's College, Cambridge, where he gained admission, he studied history and law in neither of which, he admits, he was brilliant. On one occasion he even forgot to attend a history examination and had to stay on for a further six months to sit for it again. When he did get his degree in 1925, five years after his arrival in Britain, he returned to Kedah only to incur the disapproval of his brother, the Regent of Kedah, for his tardiness in passing examinations. The Tengku was promptly sent back to Britain with instructions to do better at his books. But this time, after joining the Inner Temple, the Tengku spent his time on the dog tracks and eventually returned to Kedah in 1931 without his degree and in his own words, "a failure in the eyes of all the people".

When he realised how he had let down his father and his brother he was determined to prove his worth and succeeded—18 years later when he returned from England a fat and forty-fivish barrister. The play boy prince had at last arrived. But the 18 years he had to wait for his barristership the Tengku put to very valuable use by joining the Malayan Civil Service. As District Officer he moved easily with British brass hats, millionaire Chinese and In-

dians and more important, his own people, acquiring very valuable experience for the post-war political changes the British were planning.

The first of these changes the British announced in 1946 in a White Paper called "Malayan Union and Singapore: Statement of policy on future constitution". Until the Japanese came along in 1941 the Colonial Office jogged on quite happily raking in the fabulous shekels which came from Malaya's tin and rubber. Malaya was administered under three political groups—the Straits Settlements consisting of Penang, Malacca and Singapore; the Federated States which were a union of four states: Perak, Selangor, Negri Sembilan and Pahang; and the Unfederated States, the remaining states of Kelantan, Trengganu, Kedah, Perlis and Johore. It was a loose political set-up more suited to the palmier days of British colonialism of the pre-1914 vintage than to the resurgent post-war Asia of today. The Sultans, on their part, were not too insistent that the British should go. On the contrary they liked them to remain. They were charmed and flattered by the diplomatic attention the great white nation across the globe paid them through a polite and smiling High Commissioner. They even felt gratified by the presence of British political advisers, whose advice they were bound to take, and gladly took, in each of their petty kingdoms. But it was a position, as the British themselves realised, a return to which "would be manifestly contrary to the interests of the territories and their inhabitants in the post-war world". So the British decided to tighten up the administration and bring the nine states of Malaya into a manoeuvrable whole.

They attempted to achieve this by giving more power to the High Commissioner and enfranchising the Chinese so that "all those who have made the country their homeland should have the opportunity of a due share in the country's political and cultural institutions". The Japanese had hardly left the Malay peninsula when on October 11, 1945, Sir Harold MacMichael arrived in Malaya with explicit instructions to bluff and bully the Sultans into relinquishing some of the nominal power they held. Sir Harold was quite a success. Within two months he had got the signature of all the Sultans agreeing to remain in a Malayan Union as archaic ornaments. In their hurry to introduce the Malayan Union the British Government hardly bothered to discuss the idea of a Malayan Union with the Malays. When the Order-in-Council constituting the Malayan Union was foisted on the Malays on April 1, 1946 there were widespread protests. In the vanguard of the protest was the Tengku, still a civil servant and a student of law.

Along with the elder statesman of Malaya, Dato Onn bin Ja'afar, founder and leader of the United Malay National Organisation (UMNO), the Tengku exposed the British attempt to give the Chinese a dominant role in politics. The protests were successful. Two years after its brief existence the Malayan Union proposal was withdrawn. The British Government, however, went ahead with the scheme to unify the three administrative units—the Straits Settlements, the Federated Malay States and the Unfederated Malay States—and in 1948 they introduced the Federation of Malaya Agreement which was accepted by the Malays.

Under this agreement a strong central government was established with the High Commissioner at the top with overriding powers. The government consisted of members entirely nominated—a point which was not welcome. The Sultans were drawn into a Council of rulers to advise the High Commissioner and to examine Bills before they went to the Legislative Council, but their autonomy, as previously, was restricted to affairs on customs and religion.

After five years of working of the new constitution a decision was taken to do away with the principle of nomination to the Federal Council. After prolonged discussion it was decided that 52 of the 98 seats in the Council should be reserved for elected members.

In the first General election in April last year the Tengku's vigorous campaigning up and down the country was rewarded when his party, along with the MIC (Malayan Indian Congress), and the MCA (Malayan Chinese Association) was swept into power winning 51 of the 52 seats. The British concern for Malaya to "progress on democratic lines" brought out a crop of political parties. The UMNO came into being primarily to fight the Malayan Union in 1946. As its name indicates it is a communal party but it does not object to other races being included in an independent and sovereign Malaya. The only communal demand it makes is that the Malays should be recognised as the indigenous people who would have the right to enter into treaties with Britain. Dato Onn bin Ja'afar, later disagreed with the communal outlook of the party and resigned in 1951. But before he left to form a rival party, Independence of Malaya Party, he urged the Tengku to take up the leadership of the UMNO because the Tengku "is a young man full of energy and ideas".

It is typical of the Tengku that when he accepted the Presidentship of the Party he threw up a government job for something which did not bring him salary. His princely background at first prejudiced the younger bloods in the Party but he won them over by his qualities of daring and sacrifice.

The second important party in Malaya is the Malayan Chinese Association. It was formed in 1949 purely to impress the authorities that the Chinese in Malaya were loyal to the country and not at all sympathetic to the Chinese Communists fighting the Government. The members of the MCA are drawn mostly from the business community. The party began as a welfare organisation to help settle Chinese squatters in the New Villages. For this it raised money by running lotteries which the Government soon forbade saying that the money was being used for political propaganda. The MCA turned into a political body in 1952 to enable it to mobilise full Chinese support in the fight against Communism. The MCA demands (1) Independence for Malaya within the Commonwealth; (2) Inclusion of Singapore in the Federation of Malaya; (3) The right of citizenship by birth (at present this is restricted to those Chinese born in Malaya in the last eight years) and (4) Retention of their culture and language by each of the racial groups whilst they still regard themselves as Malaysians.

In 1952 was born the UMNO-MCA Alliance. The two parties combined at first to fight the municipal elections in Kuala Lumpur and won nine of the 12 seats. This initial success strengthened the Alliance and joined by the MIC (Malayan Indian Congress) swept the polls last year.

The rest of the political parties differ very little from each other. They are all agreed on independence for

Malaya within the Commonwealth. The Independence of Malaya Party wants it before 1960, the Party-Negara which is closely allied, hastened the date to 1957. Party Negara founded in 1950 is now committed to uphold the position of the Malay rulers. The Pan Malayan Labour Party was formed in 1952. Of a million workers in Malaya the party has the support of only 112,000. The party programme is closely modelled on the British Labour Party.

The most significant event in 1948, the year the Federation of Malaya Agreement was introduced, was the outbreak of Communist terrorism. The Communist blow checked Malaya's constitutional progress by six years. The loss of human lives, the damage to Malayan industry and the fabulous waste of money, which could be used to develop Malaya, convinced the Tengku that something drastic must be done to end the Emergency. His amnesty offer to the Communists, which caused a furore at that time, was a sincere attempt to get down to the job of nation building which was being seriously delayed by the Communists. Although the Tengku failed, as expected, to talk Chin Peng out of his guerilla warfare he succeeded in getting a very significant Communist statement that stood him in good stead during the hard bargaining in the Colonial office. The statement went: "As soon as the elected government of the Federation obtains complete control of internal security and local armed forces we will end hostilities, lay down our arms and disband our force". With such an assurance from the Communist leader on one hand and the pledge from eight of the nine Malayan rulers to back the demand for Independence by August 31, 1957, on the other, the Tengku's political problems have vanished overnight. But the problems that are shooting up instead are visible in Kuala Lumpur.

Last year's riot by Chinese students in Singapore is a pointer to the political problems facing an independent Malaya. Even by 1959, the original date fixed for independence, the present overwhelmingly colonial economy cannot change to one befitting an independent nation if the present trends in education and industrial development continue. There is no better target for Communists than an educated youth without employment. But the bone of more immediate contention is citizenship. The present laws are framed in a manner to limit the number of Chinese citizens in the Federation. Of the nearly 6 million population (3 million Chinese, 3 million Malays and seven lakhs of Indians and Pakistanis), 60 per cent Malays have obtained citizenship while only 25 per cent of the Chinese have succeeded in gaining citizenship under the legislation enacted in 1952. And besides, the startling disproportion between Malays and Chinese in the Civil Service is a spur to the Tengku to start thinking on the economic and social development of Malaya.

The future of Malaya will be determined by cooperation or strife between the Malays and the Chinese. The Muslim Malays will insist on ruling their country; the immigrant Chinese will not easily Malayise themselves but if the peace is to be maintained and progress to be achieved, the Chinese will have to change their outlook. Many Chinese have already adopted a Malayan outlook; but the number of nationalistic Chinese is large and the trouble of the future will come from them. With Indonesian support and a strengthening of the Malay spirit, with able and devoted leaders like Tengku Abdul Rahman, the Malay race will again rise and contribute its share to the advance of mankind.

HONGKONG'S TRADE FOR JULY AND FOR JANUARY-JULY, 1956

Hongkong's exports during July totalled \$249.6 million, an increase of \$59.3 million compared with that for the corresponding month last year. Imports at \$347.4 million were \$80.4 million higher. Exports during the first seven months this year amounted to \$1,896.7 million, an increase of 37.8% over the corresponding period in 1955. Imports rose by 27.3% to \$2,685.0 million.

Comparing the trade figures for the first seven months of 1956 and 1955 the Director of Commerce and Industry reported that Indonesia had replaced Malaya as the principal customer of HK. Exports to China dropped to \$67.6 million, and to South Korea by \$32.3 million. Marked increases were recorded in exports to Thailand, Japan and three Indochinese states; up by \$125.4 million, \$70.0 million and \$40.2 million respectively. Imports from Japan and China improved by \$259.8 million and \$130.2 million respectively, but imports from Western Germany declined by \$14.2 million, and from Macao down \$12.4 million.

Exports of Hongkong Products: The value of Hongkong products exported during July was \$60.5 million, an increase of \$1.6 million over that for the same month last year. A comparison of the totals for January to July of 1956 and 1955 showed an increase in 1956 of \$63.0 million or 15.6%. Indonesia with purchases totalling \$104.7 million, continued to lead the list of buyers so far this year. The United Kingdom, although increasing her purchases by \$16.1 million in July, was still the second, and Malaya the third. Thailand, Burma and South Korea reduced their purchases of Hongkong products.

Certificates of Origin: Certificates of Origin of all kinds and Imperial Preference Certificates issued during the month reached a total of 16,142 and covered goods to the declared value of \$45,176,930.

Exports to U.S.: During the month one amendment was made to the list of presumptive items cleared for export to U.S. The amendment concerned was the addition of wooden figurines to the wooden novelties procedure, provided such figures do not exceed a height of three inches.

Rice Market: Imports of edible rice during July totalled 17,533 tons (10,291 tons or 58.7% from Thailand, 4,843 tons from China, 2,369 tons from Burma, 30 tons from Australia). Offtakes in July totalled 18,483 tons, representing a weekly average of 4,621 tons as compared with 4,790 tons in the previous month and 4,354 tons in July, 1955. Bangkok f.o.b. prices rose sharply during the month, 100 per cent whole rice increasing by £2. 10. 0 per ton, five to ten per cent rice by £3 and broken by ten shillings to £1. 10. 0. These increases were reflected on the local market.

Frozen Meat: 468 tons of frozen meat arrived here during the month. Offtakes totalled 453 tons, a higher figure than usual due to a temporary shortage of fresh meat supplies. Increased quotas were approved in order to meet the additional demand for frozen meat.

Exports to China: 50 saloon cars were exported to Canton during the month. A number of licences were granted in conformity with COCOM procedures for the export to China of strategic-type commodities when satisfactory evidence was produced to show that their enduse had no strategic significance.

IMPORTS, BY COUNTRIES

Country	July, 1956 HK\$	Jan./July 1956 HK\$	Jan./July 1955 HK\$
Merchandise			
Africa, Central (British)	309,521	1,949,514	1,081,010
Africa, East (British)	4,322,329	28,846,727	20,864,461
Africa, South	3,113,583	14,589,363	17,106,812

Country	July, 1956 HK\$	Jan./July 1956 HK\$	Jan./July 1955 HK\$
African Coun- tries, Other	367,825	1,528,890	6,076,850
America, Cen- tral	236,843	970,440	7,554,685
America, South (excluding Argentina and Brazil)	142,352	742,890	214,311
Argentina	18,495	962,618	4,193,604
Asian Coun- tries, Central	—	2,300	1,155,390
Australia	5,457,898	49,372,031	47,855,978
Austria	1,193,404	12,758,015	4,142,525
Belgium	10,324,218	65,032,946	52,894,279
Borneo, North Brazil	3,954,253	23,328,563	23,123,267
British Common- wealth, Other	9,200,834	22,871,871	13,377,170
Burma	169,887	573,389	319,752
Cambodia, Laos & Vietnam ..	2,265,219	24,141,300	20,107,867
Canada	5,213,159	35,173,839	17,691,684
Ceylon	3,495,876	25,459,919	27,703,560
China	94,050	2,197,422	2,187,410
Denmark	82,734,725	597,302,973	467,092,846
Egypt	862,864	3,361,102	3,398,576
Europe, Eastern	542,565	5,027,817	895,643
European Coun- tries, Other ..	607,860	7,960,620	5,984,389
Finland	455,046	2,895,949	3,459,422
Formosa	63,326	840,201	2,319,623
France	4,255,404	30,045,400	21,189,055
Germany (Western)	1,723,069	15,340,172	17,374,181
India	10,945,721	70,119,922	84,357,389
Indonesia	4,018,130	37,925,962	34,276,478
Italy	2,785,661	16,215,161	20,558,972
Japan	3,025,168	19,808,281	20,678,516
Korea, South ..	45,608,930	553,190,041	293,433,968
Macao	582,088	11,106,830	5,283,402
Malaya	2,943,211	21,960,348	34,354,057
Middle and Near East Countries	11,374,971	100,573,940	87,912,120
Netherlands	3,786,160	30,908,251	20,082,588
New Zealand ..	7,971,339	41,278,824	37,462,532
Norway	63,199	1,131,173	537,042
Oceania, British	345,104	2,639,677	3,375,801
Oceania, United States	79,617	6,081,840	629,781
Oceania, n.e.s.	1,670	53,454	633,203
Pakistan	13,323	102,368	126,918
Philippines	5,914,801	72,888,654	42,946,665
Sweden	3,167,738	16,847,791	3,892,138
Switzerland	1,562,604	12,573,349	10,915,814
Switzerland	12,412,002	75,201,725	57,330,911
Thailand	10,816,845	106,292,440	108,424,844
Turkey	—	—	2,450
United Kingdom	42,283,820	280,768,857	244,637,971
U.S.A.	36,076,304	231,252,981	207,085,009
U.S.S.R.	509,267	2,664,947	1,525,916
West Indies, British	8,893	174,534	59,160

T- Total Mer- chandise ..	347,421,171	2,685,037,621	2,109,887,995
Total gold and specie	26,610,500	284,958,190	216,942,230
Grand Total	374,031,671	2,969,995,811	2,326,830,225

EXPORTS, BY COUNTRIES

Country	July, 1956 HK\$	Jan./July 1956 HK\$	Jan./July 1955 HK\$	Country	July, 1956 HK\$	Jan./July 1956 HK\$	Jan./July 1955 HK\$
Merchandise				France	1,791,832	12,323,406	9,552,502
Africa, Central (British)	871,347	8,393,156	10,703,327	Germany (Western)	2,268,607	24,331,596	18,039,549
Africa, East (British)	4,194,864	18,770,303	20,455,389	India	1,463,592	11,944,704	11,454,963
Africa, South	2,676,304	16,376,125	14,935,750	Indonesia	35,495,971	380,563,806	86,291,993
Africa, West (British)	5,367,884	37,077,924	30,358,987	Italy	745,775	4,327,269	4,111,055
African Coun- tries, Other	4,101,117	28,416,005	31,092,892	Japan	29,703,145	139,080,112	69,042,209
America, Central	2,693,638	14,811,060	11,788,538	Korea, South ..	7,456,333	68,192,763	100,504,769
America, South (excluding Argentina and Brazil)	2,004,862	11,075,510	11,002,630	Macao	4,825,189	31,638,408	29,704,372
Argentina	31,645	199,149	267,584	Malaya	30,694,240	218,830,516	206,164,883
Asian Coun- tries, Central	378,170	1,430,432	237,273	Middle and Near East Countries	2,855,669	20,323,125	16,973,050
Australia	4,446,649	32,326,921	28,846,201	Netherlands	2,424,843	13,283,966	10,482,106
Austria	5,640	35,512	39,178	New Zealand ..	481,104	7,383,516	7,689,677
Belgium	666,891	6,582,210	5,136,792	Norway	1,454,247	3,910,953	2,434,720
Borneo, North	4,209,314	24,905,484	14,761,872	Oceania, British Oceania, United States	833,956	4,246,155	3,051,574
Brazil	49,997	289,757	44,368	Oceania, n.e.s. ..	2,882,812	18,308,954	16,588,731
British Common- wealth, Other	1,758,923	13,045,995	15,647,460	Pakistan	1,449,450	5,621,917	4,628,752
Burma	3,364,829	14,036,139	19,256,663	Philippines	841,304	3,538,546	3,193,231
Cambodia, Laos & Vietnam ..	7,999,187	81,893,568	41,680,563	Sweden	3,638,604	24,764,407	37,371,521
Canada	2,182,629	17,927,809	17,080,643	Switzerland	652,760	3,701,446	3,646,906
Ceylon	1,277,608	10,084,259	7,094,922	Thailand	371,173	2,268,145	2,123,687
China	14,047,770	66,851,686	134,442,885	Turkey	12,354,928	217,111,057	91,706,956
Denmark	429,339	2,700,667	3,738,545	United Kingdom ..	2,536	59,864	232,109
Egypt	162,531	1,800,475	2,087,775	U.S.A.	28,872,874	172,431,782	141,529,822
European Coun- tries, Other ..	148,254	1,214,710	1,101,697	West Indies, British	7,618,823	60,122,252	46,003,358
Finland	29,280	453,393	9,432		1,814,162	10,257,421	11,114,618
Formosa	3,503,735	27,428,292	20,536,660	Total Mer- chandise ..	249,596,336	1,896,692,627	1,375,985,139
				Total gold and specie	32,439,270	308,280,003	209,421,456
				Grand Total	282,035,606	2,204,972,630	1,585,406,595

IMPORTS, BY DIVISIONS

Division	July, 1956 HK\$	Jan./July, 1956 HK\$	Jan./July, 1955 HK\$
Live animals	12,519,685	101,983,533	97,913,936
Meat and meat preparations	2,728,259	20,712,851	16,336,680
Dairy products	7,165,836	52,560,867	47,231,630
Fish and fish preparations	6,179,783	46,375,845	38,909,240
Cereals	16,760,289	162,725,014	144,927,202
Fruits and vegetables	15,319,088	109,552,787	113,223,096
Sugar and sugar preparations	5,481,863	42,693,885	38,412,458
Coffee, tea, cocoa and spices	3,714,050	27,182,302	29,135,274
Feeding stuffs for animals	841,742	5,199,898	2,181,017
Miscellaneous food preparations	2,856,394	17,432,276	12,591,070
Beverages	2,730,382	15,765,920	13,570,481
Tobacco and tobacco manufactures	4,206,919	33,879,963	34,174,010
Hides, skins and furs, undressed	1,611,816	7,061,345	5,983,792
Oil seeds and oil nuts	3,215,509	28,794,643	29,168,025
Crude rubber, including synthetic	2,287,808	13,483,737	10,796,311
Wood, lumber and cork	6,245,754	39,858,251	40,565,783
Pulp and waste paper	334,790	1,706,446	2,718,604
Textile fibres and waste	26,427,345	179,013,357	134,296,062
Crude fertilizers and minerals	475,404	4,403,725	5,642,164
Ores and metal scrap	374,894	4,724,727	6,348,885
Animal and vegetable crude materials	14,375,113	100,439,462	83,396,953
Mineral fuels	14,822,541	113,057,890	87,456,407
Animal and vegetable oils	4,383,502	50,910,087	29,562,900
Chemical elements and compounds	3,202,686	24,139,707	36,918,996
Mineral tar and crude chemicals	608	569,373	200,472
Dyeing, tanning and colouring materials	3,146,758	23,228,562	63,749,018
Medicinal and pharmaceutical products	5,250,517	26,422,361	31,365,560
Perfumes and cleansing preparations	3,906,822	26,494,842	21,579,268
Fertilizers, manufactured	3,636,952	30,350,313	32,807,791
Explosives and chemicals	5,105,883	30,262,989	26,126,722
Leather, leather goods and furs	1,644,719	12,370,216	11,822,998
Rubber manufactures	1,179,348	12,617,993	4,759,269

Division	July, 1956 HK\$	Jan./July, 1956 HK\$	Jan./July, 1955 HK\$
Wood and cork manufactures	1,086,416	6,423,181	6,101,621
Paper, paperboard and manufactures	8,665,400	70,413,126	65,119,240
Textile yarn, fabrics and made-up articles	61,642,507	583,304,563	353,049,180
Non-metallic mineral manufactures	7,553,444	55,966,794	36,155,780
Silver, platinum, gems and jewellery	8,609,782	52,729,221	39,262,830
Base metals	22,593,934	155,917,341	73,007,372
Manufactures of metals	5,148,762	37,711,553	27,646,395
Machinery other than electric	9,127,582	75,236,736	49,180,180
Electric machinery and appliances	7,457,630	46,839,560	31,649,980
Transport equipment	5,187,341	50,922,637	40,365,803
Prefabricated buildings; plumbing, heating & lighting fittings	1,056,328	9,006,928	5,504,478
Furniture and fixtures	305,600	2,014,274	1,584,112
Travel goods	231,123	1,315,141	962,490
Clothing	3,134,285	21,572,777	17,232,912
Footwear	394,245	2,241,891	1,425,150
Scientific instruments; photographic and optical goods; watches and clocks	14,422,985	92,167,455	61,338,833
Miscellaneous manufactured articles	8,657,235	55,160,592	46,309,341
Live animals, not for food	13,513	118,684	120,224
Total Merchandise	347,421,171	2,685,037,621	2,109,887,995
Total gold and specie	26,610,500	284,958,190	216,942,230
Grand Total	374,031,671	2,969,995,811	2,326,830,225

EXPORTS, BY DIVISIONS

Division	July, 1956 HK\$	Jan./July, 1956 HK\$	Jan./July, 1955 HK\$
Live animals	31,050	191,510	124,166
Meat and meat preparations	557,120	4,387,779	4,609,919
Dairy products	1,522,967	10,488,751	7,676,666
Fish and fish preparations	2,181,981	14,686,498	11,750,125
Cereals	2,260,087	28,454,990	12,093,073
Fruits and vegetables	8,470,226	67,660,604	71,888,656
Sugar and sugar preparations	4,180,543	22,195,951	17,779,166
Coffee, tea, cocoa and spices	2,514,828	16,205,227	19,017,614
Feeding stuffs for animals	280,004	1,328,665	564,505
Miscellaneous food preparations	2,887,912	17,736,595	14,887,461
Beverages	1,179,004	7,134,664	5,233,184
Tobacco and tobacco manufactures	503,848	4,265,752	4,910,663
Hides, skins and furs, undressed	1,683,058	7,622,226	5,087,332
Oil seeds and oil nuts	5,488,776	29,585,001	19,437,200
Crude rubber, including synthetic	2,740	146,755	10,229
Wood, lumber and cork	676,178	4,978,075	4,184,323
Pulp and waste paper	226,867	1,132,540	1,858,350
Textile fibres and waste	12,613,933	35,966,222	27,147,385
Crude fertilizers and minerals	426,935	2,644,796	2,754,234
Ores and metal scrap	6,579,834	30,085,155	15,793,589
Animal and vegetable crude materials	11,117,727	86,989,295	78,051,648
Mineral fuels	3,519,433	12,166,237	2,004,469
Animal and vegetable oils	2,177,283	24,433,848	10,024,805
Chemical elements and compounds	924,426	8,406,519	20,577,840
Mineral tar and crude chemicals	3,085	296,114	2,388
Dyeing, tanning and colouring materials	4,674,283	33,354,841	59,075,460
Medicinal and pharmaceutical products	3,918,246	27,059,199	33,785,104
Perfumes and cleansing preparations	1,846,592	14,924,225	1,316,932
Fertilizers, manufactured	3,967,079	29,939,445	34,234,971
Explosives and chemicals	1,320,619	10,203,554	10,451,410
Leather, leather goods and furs	163,401	1,540,494	1,760,513
Rubber manufactures	634,194	8,344,715	1,516,771
Wood and cork manufactures	305,831	2,513,237	2,372,104
Paper, paperboard and manufactures	3,706,052	39,358,916	37,798,643
Textile yarn, fabrics and made-up articles	58,696,385	520,702,224	308,791,145
Non-metallic mineral manufactures	3,364,755	33,784,118	17,545,831
Silver, platinum, gems and jewellery	3,809,900	18,682,293	14,648,982
Base metals	4,564,006	69,863,900	13,866,009
Manufactures of metals	10,081,256	78,687,892	55,710,299
Machinery other than electric	4,353,868	36,949,394	17,703,896
Electric machinery and appliances	3,308,160	22,508,029	14,552,476
Transport equipment	3,144,088	22,011,772	12,022,726
Prefabricated buildings; plumbing, heating & lighting fittings	6,803,345	45,825,470	38,965,804
Furniture and fixtures	2,308,844	21,119,846	19,223,445
Travel goods	1,484,041	9,598,965	5,170,039
Clothing	33,433,531	237,791,507	170,168,061
Footwear	5,311,791	52,485,191	44,297,564

Division	July, 1956 HK\$	Jan./July, 1956 HK\$	Jan./July, 1955 HK\$
Scientific instruments; photographic and optical goods; watches and clocks	3,986,421	23,615,096	15,347,529
Miscellaneous manufactured articles	12,349,170	96,317,014	71,972,597
Live animals, not for food	50,633	291,521	217,838
Total Merchandise	249,596,336	1,896,692,627	1,375,985,139
Total gold and specie	32,439,270	308,280,003	209,421,456
Grand Total	282,035,606	2,204,972,630	1,585,406,595

HONGKONG PRODUCTS

EXPORTS, BY COUNTRIES

Country	July, 1956 HK\$	Jan./July 1956 HK\$	Jan./July 1955 HK\$
Africa, Central (British)	273,006	3,168,281	5,774,852
Africa, East (British)	2,624,456	11,015,374	11,566,477
Africa, South	1,651,816	9,517,930	9,148,537
Africa, West (British)	3,917,209	24,542,498	17,551,904
African Countries, Other	2,194,939	15,105,373	15,494,911
America, Central	1,019,888	5,834,035	5,817,600
America, South (ex- cluding Argentina and Brazil)	1,070,328	5,915,099	6,620,614
Argentina	—	2,687	75,042
Asian Countries, Cen- tral	361,352	668,140	76,312
Australia	1,101,067	9,989,269	9,580,755
Austria	—	240	1,800
Belgium	104,272	1,191,873	1,001,069
Borneo, North	1,304,938	6,527,314	4,720,168
Brazil	14,571	14,571	—
British Common- wealth, Other	908,749	6,203,709	7,429,236
Burma	82,649	1,140,191	10,731,762
Cambodia, Laos & Vietnam	547,738	14,412,964	9,059,118
Canada	366,184	4,752,595	5,434,637
Ceylon	473,124	2,906,797	3,088,116
China	530,875	812,797	33,048
Denmark	151,950	866,554	764,809
Egypt	3,571	220,799	230,357
European Countries, Other	25,116	343,922	271,068
Formosa	68,926	1,043,185	389,307
France	51,338	328,991	734,821
Germany (Western)	26,299	1,382,879	1,068,719
India	568,873	3,629,989	4,112,001
Indonesia	7,472,130	104,729,631	40,521,823
Italy	51,580	277,006	285,415
Japan	667,480	3,204,865	2,760,920
Korea, South	144,582	2,772,031	8,642,516
Macao	414,517	2,497,617	1,927,337
Malaya	6,623,094	53,609,479	54,354,173
Middle and Near East Countries	947,009	7,140,128	6,374,293
Netherlands	173,288	1,875,696	991,427
New Zealand	256,859	2,776,100	3,678,251
Norway	67,509	240,881	280,963
Oceania, British	313,217	1,594,958	1,401,681
Oceania, United States	351,370	1,979,673	1,586,690
Oceania, n.e.s.	492,826	2,008,624	2,202,821
Pakistan	333,209	1,176,266	1,961,187
Philippines	1,782,022	11,248,633	13,386,213
Sweden	164,441	895,504	1,231,783
Switzerland	11,242	158,086	210,240
Thailand	2,568,795	27,729,435	38,526,683
Turkey	544	544	20,764
United Kingdom	16,099,288	93,517,507	78,986,988
U.S.A.	1,376,899	10,328,913	7,276,353
West Indies, British	708,722	4,561,159	5,508,242
Total	60,463,867	465,860,792	402,893,803

EXPORTS BY COMMODITIES

Commodity	July, 1956 HK\$	Jan./July 1956 HK\$	Jan./July 1955 HK\$
Fish in airtight con- tainers	135,702	1,378,599	771,718
Fruits, preserved	975,417	8,879,148	7,413,498
Jams and fruit jellies	—	—	140
Fruit juices, unfer- mented	66,939	358,663	124,880
Non-alcoholic bever- ages	169,352	517,460	418,651
Beer	3,660	10,246	8,699
Cigarettes	65,951	593,628	346,902
Iron ore	498,142	2,881,832	2,327,296
Tungsten ore	39,984	99,163	48,787
Seagrass	6,194	62,130	85,428
Lacquers and var- nishes	185,562	1,742,024	1,500,617
Paints, enamels and mastics	831,053	6,872,868	5,923,759
Cotton yarns	5,155,990	62,092,191	51,784,468
Cotton piece goods	16,037,576	94,202,475	109,647,032
Towels, not embroi- dered	1,024,273	8,694,378	6,163,381
Linen, embroidered	993,108	4,940,344	4,454,133
Cement	650,473	5,661,931	2,749,896
Iron and steel bars	980,921	5,620,966	4,852,216
Household utensils, enamelled	6,325,768	43,014,102	31,539,096
Household utensils, aluminium	464,953	5,507,856	3,972,780
Torch batteries	754,066	5,372,895	5,821,536
Torch bulbs	482,462	3,728,282	3,121,048
Electric torches	4,478,225	28,234,838	28,989,056
Lanterns, metal	1,568,705	10,503,575	6,421,494
Cotton singlets	5,016,428	56,759,401	29,500,892
Underwear and nightwear, embroi- dered	408,829	1,842,826	1,312,202
Shirts	6,294,722	39,628,113	35,238,817
Outerwear, embroi- dered	650,323	4,421,169	4,072,246
Articles of clothing (e.g., handker- chiefs, shawls, etc.), embroidered	276,875	2,213,604	1,585,455
Footwear	4,606,794	49,073,935	42,339,932
Matches	21,885	575,776	1,681,181
Plastic articles	806,751	5,753,869	4,358,444
Vacuum flasks, com- plete	486,784	4,622,505	4,318,123
Total	60,463,867	465,860,792	402,893,803

HONGKONG STATISTICAL REPORTS

May 1956

Vital Statistics:		Total	Building Constructions in May:		Number	Cost in HK\$	
	May	(Jan.-May)				Building	Site Work
Birth	6,376	35,807	City of Victoria—				
Death	1,612	7,974	Offices and Shops	2	9,500,000	—	
			Houses and Flats	42	2,671,262	37,700	
			Other (including mixed accommodations) ..	7	553,532	53,074	
Retail Price Indices:	May 1956	May 1955	Island outside Victoria—				
	(March 1947—100)		Factories and Godowns ..	1	91,052	—	
Food (including drink)	121	113	Houses and Flats	19	1,056,592	60,764	
Rent	119	119	Other (including mixed accommodations) ..	1	23,573	3,815	
Clothing (including footwear) ..	92	91	Kowloon and New Kowloon—				
Fuel	92	97	Factories and Godowns ..	5	197,787	4,000	
Electric Light	59	60	Houses and Flats	63	3,659,216	157,798	
Cleaning	92	89	Other (including mixed accommodations) ..	18	2,452,861	273,238	
Education	140	138	Total (May, 1956)	158	20,205,875	590,389	
Tobacco & Cigarettes	113	113					
Doctors & Medicines	105	106	Kowloon-Canton Railway				
Fares	100	100	(British Section):				
Household Equipment	113	113	Passengers:	May	Total (Jan.-May)		
Hair Dressing	122	122	Upward	153,791	1,009,266		
Newspapers & Stationery	153	153	Downward	166,725	1,015,475		
Shoe Repairs	78	81	Concession Tickets ..	16,019	83,286		
Rates	100	100	Freight:				
General Retail Price Index ...	115	111	Upward	1,812,290 kgs	6,465,340 kgs		
			Downward	14,798,520 kgs	75,892,430 kgs		
Hongkong Clearing House Figures:			Total Number of Vehicles & Drivers Licensed:				
March	April	May	Vehicles:	In May	Total on May 31		
1,247,055,349	1,283,816,319	1,306,055,458	Trams ..	—	126		
			Motor Cycles	48	1,567		
Banknotes in Circulation:			Private Cars	279	17,966		
The Hongkong & Shanghai Banking Corpora-			Taxis	8	344		
tion		\$675,742,000	Public Hire Cars	5	283		
The Chartered Bank of India, Australia &		47,233,330	Motor Buses	7	581		
China		4,349,200	Public Commercial Lorries ..	38	1,394		
The Mercantile Bank of India Ltd.			Private Commercial Lorries ..	54	1,897		
Total		\$727,324,530	Government Cars & Lorries ..	4	844		
			Lorry (Kai Tak Airport Devel.)	—	37		
Production of Electricity & Gas:	May	Total (Jan.-May)	Lorry (Construction Site) ..	44	260		
Electricity (kw. hrs.)	53,071,069	256,643,455	Rickshaws (Private)	—	24		
Gas (cubic feet)	47,476,600	266,639,300	" (Public)	—	853		
			Public Chairs	—	6		
Food Supply:	May	Total (Jan.-May)	Tricycle (Goods)	3	784		
Animals Slaughtered (head)	78,248	381,150	Trailers	—	8		
Fish Marketed (tons)	3,235	16,780	Drivers:				
Vegetables Marketed (tons)	6,712	38,289	Motor Car Drivers	1,192	54,288		
			Const. Site Drivers	56	284		
Registration of Factories:	May	Total (Jan.-May)	Driving Instructors	48	78		
Applications Received	50	262	Rickshaw & Tricycle Drivers	125	3,317		
Cancelled and (Refused)	31 (1)	78 (9)					
Certificates Issued	53	209					
Production of Cement	May	Total (Jan.-May)					
Cement (metric tons)	11,850	57,997					

SHIPPING

FOREIGN TRADE CONDUCTED BY JUNKS AND LAUNCHES
UNDER 60 TONS

	May		Total (Jan.-May)	
	Inward	Outward	Inward	Outward
Tonnage of Cargo: Junks	67,281	6,020	389,445	20,034
Tonnage of Cargo: Launches	3,565	1,802	18,952	6,028
Total	70,846	7,822	408,397	26,062
Tonnage of Vessels: Junks	89,337	90,160	481,812	479,497
Tonnage of Vessels: Launches	8,151	7,830	42,295	41,825
Total	97,488	97,990	524,107	521,322

COMMERCIAL CARGO TONNAGES

	May		Total (Jan.-May)	
	Discharged	Loaded	Discharged	Loaded
Ocean-going Vessels (tons)	295,806	164,374	1,461,045	752,466
River Steamers (tons)	700	1,397	4,914	7,658
Total (tons)	296,506	165,771	1,465,959	760,114

AVIATION

Arrivals and Departures of Aircraft, Passengers and Freight
at Kai Tak

	May	Total (Jan.-May)
Aircraft:		
Arrivals	326	1,532
Departures	319	1,525
Total	645	3,057
Passengers:		
Arrivals	7,175	32,697
Departures	8,717	36,342
Total	15,892	69,039
Freight:		
Imports (kilogrammes)	64,996	300,092
Exports (kilogrammes)	186,048	822,925
Total	251,044	1,123,017

HONGKONG'S TRADE WITH OTHER COUNTRIES IN EAST ASIA

	Imports		Exports	
	May	Total January-May	May	Total January-May
	\$	% of Total Trade	\$	% of Total Trade
Burma	3,951,442	.92	21,001,175	.93
Ceylon	467,207	.11	1,421,063	.52
Cambodia, Laos and Vietnam ..	6,960,657	1.63	10,265,948	3.33
India	6,809,251	1.59	2,345,693	.76
Pakistan	11,354,679	2.65	322,512	.10
Malaya	18,325,570	4.28	32,194,018	10.45
Philippines	2,807,580	.66	3,518,766	1.14
Thailand	17,130,681	4.00	37,843,917	12.28
Indonesia	1,643,719	.38	72,607,579	23.57
China	84,568,227	19.76	11,995,592	3.89
Formosa	4,666,593	1.09	4,083,788	1.33
South Korea	1,129,196	.26	10,244,750	3.33
Total Trade of Hongkong	427,927,566	100	308,076,883	100

FINANCE & COMMERCE

HONGKONG EXCHANGE MARKETS

August 20—25th, 1956

August	U.S.\$			
	T.T. High	T.T. Low	Notes High	Notes Low
20	\$607	604½	606	602½
21	606¼	605	605½	603
22	607	605½	606½	603½
23	608	607¼	607½	605½
24	608¾	607½	607½	605½
25	607½	607	606	604½

D.D. rates: High 607½ Low 603.

Trading: totals: T.T. US\$3,190,000; Notes cash \$595,000, forward \$3,340,000; D.D. \$540,000. The market registered small fluctuations because peaceful settlement of the Suez dispute seemed possible and cross rates in New York steady. Tradings in the T.T. sector returned to normal; gold importers provided strong demand and absorbed offers from Japan, Korea, Bangkok, and the Philippines. In the Notes market, heavy stock forced buyers to pay very high interest which totalled HK\$13.40 per US\$1,000 for the week. Speculative transactions averaged 3½ millions per day. The relaxation of control in US over remittance to HK increased transactions in D/D in the local market.

Yen: Interest for change over totalled \$0.52 per Yen 100,000 in favour of buyers. Cash quotations were \$1,422—1,402 per Yen 100,000. Forward market was quiet.

Far Eastern Exchange: Highest and lowest rates per foreign currency unit in HK\$: Philippines 1.855—1.85, Japan 0.014825—0.01445, Malaya 1.872, Vietnam 0.06622—0.06535, Thailand 0.2793—0.2777. Sales: Pesos 325,000, Yen 115 millions, Malayan \$380,000, Piastre 8 millions, Baht 6 millions.

Agreed Merchant T.T. rates: Selling and buying rates per foreign currency unit in HK\$: England 16.202—16.10, Australia 13.016—12.757, New Zealand 16.202—15.867, United States 5.839—5.755, Canada 5.97—5.882, India 1.216—1.205, Pakistan 1.218—1.204, Ceylon 1.219—1.207, Burma 1.216—1.205, Malaya 1.889—1.871. Selling rates per foreign currency unit in HK\$: South Africa 16.236, Switzerland 1.333, Belgium 0.117, West Germany 1.389.

Chinese Exchange: People's Bank notes remained at \$1.70 per Yuan.

Taiwan Dollar notes at HK\$191—171 per thousand and remittances at 163—162.

Bank Notes: Highest and lowest rates per foreign currency unit in HK\$: England 15.91—15.82, Australia 12.50, New Zealand 14.20—14.15, Egypt 15.25, South Africa 15.78—15.75, India 1.1925—1.1875, Pakistan 0.83—0.79, Ceylon 0.98, Burma 0.49—0.47, Malaya 1.838—1.836, Canada 6.145—6.13, Cuba 4.80, Philippines 1.93—1.92, Switzerland 1.38, West Germany 1.39, Italy 0.00935—0.0093, Belgium 0.105, Sweden 1.00, Norway 0.70, Denmark 0.77, Netherlands 1.43, France 0.01425—0.0141, Vietnam 0.0725—0.0715, Laos 0.01715—0.071, Cambodia 0.0835—0.0815, North Borneo 1.50, Indonesia 0.196—0.189, Thailand 0.274—0.272, Macau 0.996.

ports amounted to 12,500 taels (7,000 to Singapore, 4,000 to Indonesia, 1,500 to Rangoon). Differences paid for local and Macau .99 fine were HK\$12.90—12.40 and 11.70—11.50 respectively per tael of .945 fine. Cross rates were US\$37.89—37.85; new indents were quoted US\$37.86 per ounce of .999 fine and US\$37.83 per ounce of .996 fine, C.I.F. Macau. Imports contracted during the week amounted to 40,000 fine ounces. US double eagle old and new coins quoted at \$268 and \$227 respectively per coin and Mexican gold coins at \$281.50—280.00 per coin.

Silver Market: The market was quiet. 500 taels of bar silver were traded at \$6.00—5.95 per tael; 800 \$ coins at \$3.86—3.82 per coin; 20 cent coins remained at \$2.95—2.92 per 5 coins.

GOLD MARKET

August	High .945	Low .945	Macau .99
20	\$263	261½	
21	262¾	262	
22	263¼	262¼	
23	263½	262½	274½ High
24	263¾	263½	
25	263¼	262¾	Low 272

The opening and closing prices were 263 and 262½, and the highest and lowest 263½ and 261½. The market was easy due to the big stock and the heavy interest in favour of sellers (HK\$6.30 per 10 taels of .945 fine). Tradings averaged 14,200 taels per day and amounted to 85,200 taels for the week, of which 21,520 taels were delivered (4,620 listed and 16,900 arranged). Speculative transactions averaged 33,100 taels per day. Imports were all from Macau and totalled 24,000 taels. Ex-

HONGKONG SHARE MARKET

(August 20-24, 1956)

With the Suez dispute remained unsettled, investors here assumed a wait-and-see attitude. Trading totalled only \$2.7 million for the week. The shooting down of an American Navy patrol plane in the Formosa Strait on Wednesday brought prices slightly down in the market but there was no selling pressure. HK Banks and utility shares eased slightly; Union Ins. reached 1,000; Wharves registered only buying offers which advanced \$1 during the week; Docks, Providents, Hotels, Lands were steady; while shares of investment companies and cotton mills were quiet. Fluctuations during the week were small:

Shares	Aug. 17	Last Week's Rates			Ups and Downs
		Highest	Lowest	Closing	
HK Bank	1640	1640	1635	1635 n	-\$5
Union Ins.	995 b	1000	995 b	1000 n	+\$5
Wheelock	8.90	8.90	8.80	8.80	-10c
HK Wharf	87.50 b	89 b	87.50 b	88.50 b	+\$1
HK Dock	41.50	41.75 s	40.50 b	41.75 s	steady
Provident	14	14.10	13.80 b	14 n	steady
Land	68	68.50	67.50	68	steady
Renity	1.45	1.475 s	1.45	1.475 s	steady
Hotel	15.20	15.30	15	15.20	steady
Trams	24.20	24.30	24.20	24.30 s	steady
Star Ferry	136 n	137 s	135	135 n	-\$1
Yau-matli	110	111 s	108 b	110 s	steady
Light (f.p.)	24.10	24.30	23.90	23.90	-20c
Light (p.p.)	21.50	21.60	21.20 b	21.40	-10c
Electric	31.50	31.50	31	31	-50c
Telephone	25.20	25.20	24.80	24.80	-40c
Cement	35.75	36.25	36	36.25	+50c
Dairy Farm	16.10	16.10	15.90	15.90	-20c
Watson	12 b	12.60	12 b	12.60	+60c
Amal. Rubber	1.475	1.45	1.425 b	1.45	-2½c

Monday: The market was quiet with only minor fluctuations. The turnover amounted to \$770,000. **Tuesday:** Prices remained steady with a few issues tacking on fractional gains. The turnover amounted to \$910,000. **Wednesday:** Quiet conditions prevailed with almost no change in rates. The turnover amounted to \$423,000. **Thursday:** Reports of an attack on an American plane in the Formosa area caused a slight recession in prices in early dealings. The market became steadier towards noon. The turnover amounted to \$380,000. **Friday:** The market was very quiet with turnover amounting to \$263,000.

DIVIDEND

The Mercantile Bank of India, Ltd. announced an interim dividend of 7% less income tax, payable on September 25, 1956.

SINGAPORE SHARE MARKET

Industrials made headway with a number of counters recovering earlier losses. Tins continued steady and Rubbers had increased enquiry. Despite the improvement, business continued to be rather restricted.

Fraser & Neave moved from \$1.92½ to \$1.95 buyers, Malayan Breweries had business at \$2.87½ and \$2.90 and Singapore Cold Storage improved 5 cents to \$1.50. Wearne Bros. had buyers at \$2.90, Malayan Collieries at \$1.04, Straits Times at \$2.80 and Straits Steamship at \$1.40. Robinson Ords. moved from \$1.47 to \$1.52½, Metal Box had buyers at \$1.50, Wm. Jacks at \$2.75 and Gammons at \$1.92.

Because of increased production Johan Tin had good enquiry at \$1.00, Kuchai were taken from \$1.80 to \$1.85, Petaling were steady at \$3.17½ and Sungei Way were taken at \$3.28 ex dividend.

Austral Amalgamated eased to 16/7½ cum 1/-, Kuala Kampar improved to 30/6 and Kampong Lanjut were in demand at 37/6. Larut had business at 7/10½ and 7/9 cum the 1/3 interim, Lower Perak had buyers at 17/1½ cum the 2/- capital return and Rawang Tins were active around 9/6.

Hongkong Tin had exchanges at 5/- and 5/3 and Kinta Kellas at 5/9 cum 10% and Siamese Tin were taken from London at 8/11 and 9/- including stamp.

Langkon North Borneo Prefs. and Ords. had local exchanges at 1/9 and 1/8 respectively; London accepted

Chota Rubber at 3/- and supplied Riveview at 3/7½. There was a good turnover in Batu Lintang around \$1.62½, in Tapah from \$2.60 to \$2.55 and in Sungei Tukang at \$1.60.

Turnover improved not only in local taxables at yields around 5.2%, but also in U.K. 3% Savings Bonds 1960/70 yielding 5.45% and 1955/65 yielding 5.3% both tax free to non-residents.

Oil Search were taken at A.17/- and Western Titanium (A.5/- fully paid) had business at A.9/- before closing at A.8/9d.

BUSINESS DONE 11th TO 17th AUGUST

Industrials: Asia Life Assce. Corp'n. \$32.50, Eastern Realty Co. Ltd. \$2.00, Federal Dispensary \$2.05, Fraser & Neave \$1.92½ & \$1.95, Gammons \$1.90 to \$1.92, Georgetown Dispensary \$2.15, Hongkong Bank Col. \$890 & \$885, Wm. Jacks \$2.75, Malayan Breweries \$2.87½ & \$2.90, Malayan Cement \$1.67 & \$1.65, Malayan Collieries \$1.02 to \$1.04, Metal Box \$1.50 & \$1.52, Overseas Chinese Banks \$34.15, Robinson Ords. \$1.47 to \$1.52½, S'pore Cold Storage \$1.45 to \$1.50, Straits Times \$2.77½ & \$2.80, Straits Steamship \$14.00, Uniteer Ords. \$8.70, Wearne Bros. \$2.87½ & \$2.90.

Tins: Johan \$1.00, Klang River 98 cents, Kuchais \$1.80 to \$1.85, Petaling \$3.10 to \$3.15,

Rahman Hydraulic 71 cents, Rantau \$1.43 & \$1.46, Raub Gold 77 & 75 cents, Sungei Way \$3.40 & \$3.38 x.d., Talam Mines \$1.85.

Austral Amalgamated 16/7½ c.d., Berjuntai 25/-, Kampong Lanjut 37/6 to 37/3 to 37/6, Kuala Kampar 30/6, Larut 7/10½ & 7/9 c.d., Lower Perak 17/- & 17½ c.e.r., Rawang Tin 9/6 & 9/7½, Rawang Concessions 30/-.

Hongkong Tin 5/- & 5/3, Kinta Kellas 5/9, Siamese Tin 8/11 & 9/-.

Rubbers: Batu Lintang \$1.62½ & \$1.63, Chota Rubber 3/-, Connemara 99 cents, Indragiri 28 & 30 cents, Kluang \$1.14, Kuala Sidim \$1.71½, Langkon Prefs. 1/9, Langkon Ords. 1/8, Pajam 94 & 95 cents, Parit Perak \$1.80, Riveview 3/7½, Sungei Bazan \$1.20 to \$1.22½ to \$1.20, Tapahs \$2.60 to \$2.55, Sungei Tukang \$1.60.

Overseas Investment: British. Milford Docks 63/-, Shell Trans. & Trading 150/6, West (Butchers) 11/6½.

Australian: Containers A23/9 & A24/-, Courtaulds (A) A18/- to A18/9, Oil Search A17/-, Uranium Mines A.9/6, Western Titanium A.9/-, Western Mining A.13/4½ and Stg. 10/9.

New Zealand: Fletchers Holdings N.Z. 32/6.

South African: De Beers Consol. Def. 110/10½, East Geduld 29/-, Free State Geduld 87/3, O.K. Bazaars 42/6, Orange Free State Investment Trust 56/3 to 58/7½, President Steyn 30/-, Tiger Oats 22/6, Willoughby Consol. 15/6.

HONGKONG AND FAR EASTERN TRADE REPORTS

August 19-25, 1956

Dealers here rushed shipments to and from UK, Europe, US and Japan to avoid the increase in freight charges (effective as from September 1st). Demand from various sources was selective but strong. Prices in the local market edged up encouraging importers to book more supply from UK, Europe, US and Japan. SE Asia and Taiwan continued to send here substantial quantities of staples while China increased exports to SE Asia. With the approach of Mid-Autumn Festival (September 19), sundry provisions attracted more orders from SE Asia and local retailers. Many shops here already advertised the selling of moon cakes—a symbolic food for the festival.

China Trade: Following the recent purchase of 30 British Vanguards and 11 German Mercedes Benz cars from here, Peking ordered from UK, 63 Humber cars. The quantity of streptomycin and penicillin bought from UK was 12 million ampoules each (not 19 million and 40 million ampoules respectively as reported earlier) totalling £500,000. From Denmark, China ordered US\$1.6 million worth of railway maintenance equipment. China's purchases from Japan included 200 Canon cameras of the latest model complete with attachments and accessories at Y118,000 per unit. Peking

also enquired for 100,000 tons of granulated sugar from Japan. To Egypt, China shipped 500 tons of rolled steel and offered to pay for Egyptian cotton in Swiss francs instead of in sterling. The first Chinese commercial representative's office was established in Lebanon last week. In Hanoi, Peking's first economic exhibition in North Vietnam will open on September 1st; among 2,600 exhibits will be iron and steel products, machine tools, building materials, chemicals, power equipment, agricultural implements and knitting machines. To the local market China sent substantial quantities of sundry provisions, frozen food, light industrial products, and staples such as garlic, tea, dried chilli and ground kernel. One vessel brought here 2,800 tons from Shanghai, Tientsin and Swatow but over 2,300 tons of this shipment were for transshipments to Singapore and Indonesia. From here, China bought some steel plate, steel bars and pharmaceuticals. Communists over the border are paying high prices for kerosene smuggled there from the New Territories. For a can of five gallons, they are paying \$15 as against \$7.50 in the local market.

Japan Trade: Japan bought 560,000 tons of Kailan coal from China at US\$8.54 per ton fob; shipments will begin next month. Japan will send in

return, galvanized iron, tin plate, wire belt and steel. Japan's trade with China for first half year totalled £22.3 million representing an increase of 30% over that for the same period last year. Tokyo estimated that the value would reach £45 million by this year-end. In SE Asia, Japan continued to promote more direct trade. Trade negotiations with South Vietnam and Cambodia will be opened soon. The pending increase in freight rates will actually help Japan in her exports of fertilizers and other items to SE Asia because increased freight cost for Japanese fertilizers to Indonesia, HK, Singapore, Thailand, Burma, South Vietnam and India is still lower than that for shipments from Europe which is much farther away than Japan. As a result, Indonesia bought 65,000 tons of fertilizers from Japan. Taking advantage of the Suez crisis, Japan decided to permit deferred payments by Egypt for all her purchases (except iron and steel products) from Japan. The immediate aim of Japan is to write off her trade debts to Egypt amounting to US\$8 million (accumulated through imports of cotton and phosphate rocks from Egypt) instead of payment in cash as stipulated under the open account system. Japan hopes to send consumer goods such as textiles, sundries and canned food to Egypt. Exports from here to Japan remained very active and consisted chiefly of China produce, scrap iron, iron ore, steel plate and bars. Scrap iron shipments alone totalled 1,100 tons last week. Imports exceeded 2,500 tons; including 1,200 tons of cement. Dealers here booked textiles, sundries, paper and sea food from Japan to replenish dwindled stocks but the volume of these indents was curtailed. Beginning October 1st, Japan will re-introduce a 10% ad valorem duty on imports of soya beans.

UK, US & Europe: Two vessels brought here over 5,000 tons of imports from UK consisting chiefly of metals, textiles, chemicals, dyestuff and foodstuff. Exports to UK totalled 3,500 tons including 1,000 tons of textiles, 800 tons of rubber footwear, 500 tons of plasticware and substantial quantities of other HK products. Among 1,700 tons imported from US were blackplate, fruits, textiles, tobacco leaves, and electric appliances. 5,000 tons of HK manufactures will be shipped to US before end of this month. Cargo movements between HK and Europe remained active: imports of metals, textiles, foodstuff and paper totalled 4,000 tons and exports of HK manufactures and China produce exceeded 3,000 tons. Dealers here booked more paper, metal and textiles from these sources in spite of the increased indents for most items but quantities involved were small with the exception of mild steel round bars from Europe which amounted to 3,000 tons for shipments before year-end. Demand from

Europe and UK for China produce was selective and showed a weak tendency. On the other hand, exports of HK products to these markets remained promising but interests were centred on quality products.

Indonesia Trade: Following the announcement that beginning September 1st, acceptance of import applications would be resumed, Djakarta proclaimed that preferential foreign exchange allocations would be granted and surtaxes reduced for imports of some factory materials and that new restrictions would be imposed on imports of non-essential industrial products. Meanwhile, Indonesia purchased from here 6,000 pieces of grey cloth and small quantities of metals covered by old licences. There were also enquiries for underwears and other HK products.

Thailand Trade: Bangkok continued to send here orders for metals, textiles, enamelware, plastic goods, medicinal herbs and Chinese foodstuff. Banks here, however, discouraged D/P shipments to Bangkok due to the tight money situation there. Imports of rice, oil seeds, timber, and other staples from Thailand remained active but the volume of these shipments lagged far behind exports from here to Bangkok.

Korea Trade: Seoul granted more exchange for imports from here covering wheat flour and selective items of paper, pharmaceuticals, textiles and metals. Buying offers were also marked up to meet advances in the local market.

Malaya & Singapore: Trade missions from Singapore and Malaya passed here on way to Peking to promote more direct trade with China. Meanwhile, HK exports to Malayan ports remained active consisting chiefly of sugar, fruits, vegetables, medicinal herb, joss sticks and paper. Demand for sundry provisions also improved with the approach of Mid-Autumn Festival.

The Philippines: Manila sent here more sugar and other staples but purchased only limited quantities of vermicelli and other HK manufactures from the local market.

Vietnam, Cambodia and Laos: Demand from these states covered chiefly HK manufactured wheat flour, sugar, metals and textiles. There were also orders for Chinese paper and foodstuff; European metals and pharmaceuticals; UK chemicals; and Japanese cloth. Scrap iron, maize and other staples constituted the major portion of imports from these states.

Taiwan Trade: Taipei was considering to introduce new measures to attract overseas capital for her industries and to promote her tourist trade. One

of the measures will be the relaxation in granting entry permits to businessmen, overseas Chinese and tourists. Taipei also announced that an international trade centre would be set up to promote Taiwan's foreign trade. Administered by private bodies under government guidance, the centre will conduct foreign market surveys, study credit system, supply information on trade at home and overseas, and sponsor exhibitions. From the local market Taipei bought selective items of metals, industrial chemicals, and pharmaceuticals. Imports from Taiwan consisted mainly of sugar, canned food, citronella oil and other staples.

India & Pakistan: Cassia Lignea and green peas constituted the major portion of exports to India. Pakistan cut export duty on cotton but cif HK price was still higher than supply from US. New indents for Pakistan yarn were marked up; imports of this item slowed down.

Burma & Ceylon: Burma increased imports from China and curtailed purchases from here. Orders from Ceylon were mainly for staples such as garlic, green pea and sugar. Consignments for Ceylon accumulated here during the past few weeks totalled 1,500 tons; one Japanese vessel finally left here with these goods for Colombo last week.

China Produce: Imports of China produce from China were restricted to small quantities of a few items which China could spare after her commitments to other markets. Dealers here depended more and more on supplies from SE Asia. Garlic, green peas, and cassia lignea dominated the market last week: garlic was favoured by Singapore, Malaya, Cambodia and Indonesia but price failed to improve due to heavy stock here; green peas improved on strong demand from India and Ceylon; and cassia lignea advanced on orders from India, Pakistan, UK, Japan, West Germany and Persian Gulf ports. Demand from Japan also covered sesame, groundnut kernel, castor seed, and aniseed oil. From Europe, there were more enquiries than orders for aniseed star, menthol crystal, camphor oil and tablets, feathers, bamboo sticks and white pea.

Metals: Large quantities of mild steel bars, plates and other items continued to arrive from UK, Europe and US. Prices were firm on account of advanced indents and increased shipping rates. Mild steel bars and plates were further stimulated by orders from Japan, China, Thailand, Korea and Cambodia. Dealers here therefore booked more mild steel round bars and plates from Europe; one indent was for 3,000 tons of steel bars. Black plate registered arrival of supplies from US, Netherlands and UK; prices were firm. Blackplate waste waste enjoyed strong local demand and orders from Indo-

nesia. Tinplate and galvanized iron sheet were further stimulated by increased indents. Iron scrap retained strong demand from Japan with price for the 1st grade up from \$420 to \$430 per ton.

Paper: Leading the advance in prices was newsprint in reel particularly those of US and European origins which were favored by Korea. SE Asia and local retailers usually bought Chinese and Japanese products which also registered increases. In view of the improvement in price in the local market, dealers here booked more indents from UK, Europe and Japan. Korea remained the number one buyer in the local paper market; orders reached here from Seoul last week included purchases of 2,000 reams woodfree printing, 1,000 reams m.g. white sulphite, 300 reams transparent cellulose paper and substantial quantities of glassine, flint, aluminium foil. Demand from SE Asia covered newsprint in ream, woodfree, poster, manifold, and cigarette paper.

Industrial Chemicals: Increased replenishment cost and low stock kept prices firm in a sluggish market which registered only selective demand from following sources: Korea for soda ash, sulphuric acid; Taiwan for gum arabic, carbolic acid, stearic acid, petroleum amber; Cambodia for caustic soda, tanning extract, chrome alum, lead oxide, ultramarine blue; the Philippines for mercury; and South Vietnam for formalin.

Pharmaceuticals: The market was stimulated by increasing number of orders from Taiwan, Korea, SE Asia and China. Demand, however, was limited to selective items and quantities involved were small. Penicillin tablets first eased under new arrivals but later firmed on orders from Singapore, Indonesia and local retailers. China was interested in phenacetin, sulfadiazine and antipyrin; Taiwan in gum acacia, salicylic acid, caffeine sodium benzoate,

santonin crystal and potassium iodine; India in PAS powder; Thailand in phenacetin and santonin crystal; South Vietnam in aspirin powder, antipyrin, santonin crystal and sulfathiazol.

Yarn & Piece Goods: Competition from Pakistan yarn again forced mills here to mark down their products. The increase in indents for new supplies from Pakistan helped to bring prices for Pakistan and HK yarn to almost the same level. Negotiations between HK and Indonesia on the processing of US cotton finally settled down to a free-market arrangement under which importers in Djakarta will buy from local mills which give the lowest offers; these mills will then import the corresponding amount of cotton from US. HK grey cloth remained very steady on orders from UK, Vietnam, Indonesia, and local bleaching factories. Indonesia bought 5,000 pieces of Chinese grey cloth in addition to 1,000 HK cloth. Japanese grey was favoured by Cambodia and white shirting by Vietnam. Chinese tussah silk pongee retained strong demand from Persian Gulf ports and Europe.

Rice: Speculative buying during the previous week induced firm prices in the local market at the beginning of this week. However, when Government started to investigate the hoarding of 100,000 bags by some speculators, prices eased. Thai indents also dropped.

Wheat Flour: Cambodia, Vietnam and Korea provided steady demand for HK flour while improved local demand (from moon cake shops) kept prices of imported brands steady.

Sugar: The sugar market was depressed by the import of 700 tons from Taiwan, 100 tons from Japan and the expected arrival of Philippine brown and Taiwan granulated. Philippine brown, however, later improved on enquiries from China for 3,000 tons. Taikoo granulated remained firm on

steady local demand and exports to Singapore and Borneo.

Sundry Provisions: The approach of Mid-Autumn Festival stimulated trading in the local sundry provisions market with orders from Cambodia, Vietnam, Burma, Thailand, the Philippines, Indonesia, Singapore and Malaya. Popular items included olive seed, mushroom, black moss, red date, lotus nuts, lily bulb, ginkgo, vermicelli, bean stick, dried lichee, walnut meat and apricot kernel.

Cement: Japanese cement remained at low level under heavy arrival and keen competition from Chinese products. Dealers curtailed booking of new supply from Japan.

Glass & Woollen Yarn: Chinese window glass is enjoying growing demand from Thailand, Cambodia, Indonesia, South America and local building contractors. Woollen knitting yarn registered heavy booking by local glove factories; market prices firmed on increased Japanese and UK indents.

Hongkong Manufactured Goods: HK delegation to the Frankfurt International Trade Fair (September 2-6) will include Messrs. C. Blaker (leader of the delegation), H. A. Angus, E. G. A. Grimwood, J. H. Hamm, G. C. Moutrie, J. B. Kite and I. G. Daniel. A large and representative selection of HK products will be exhibited at the Fair. The local Chinese Manufacturers' Union and Isbrandtsen Company is jointly organizing an exhibition of HK products in San Juan in Puerto Rico, West Indies. Woollen glove factories here were rushing production for shipments before end of month to UK and Europe. Orders for woollen gloves from US will reach here during the next two months. Leading enamelware factories reported steady exports to Indonesia, UK and Africa. Cotton mills, however, curtailed production as a result of keen competition from Pakistan yarn.